FINANCIAL TIMES

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Paris supermarket bomb wounds 38

Thiry-eight people were injured yesterday by a bomb planted in a supermarket restaurant just to the north of Paris as terrorists stepped up their challenge to the French Government.

The attack is believed to have been carried out by the Arab-backed terrorist group which on Monday killed one person and wounded 18 in a bomb attack on Paris town hall.

The terrorists are demanding the release from prison in France of Georges Ibrahim Abdallah, leader of the Lebanese Armed Revolutionary Faction.

The French Government last night announced that 12 Lebanese being questioned over Monday's attack would be expelled to the Lebanon, probably today. The Interior Ministry said that a man was spotted fleeing from the site of yesterday's bombing.

Page 2

Daniloff and Zakharov both released from custody

MR NICHOLAS DANILOFF, the US reporter was released from a Moscow jail yesterday at the same time that Mr Gennadi Zakharov, a Soviet United Nations employee, was freed from a New York prison. Both men have been accused of spying and were released into the custody of their respective ambassadors, write Patrick Cockburn in Moscow and Stewart Fleming in Washington.

The simultaneous release of the two men defuses a growing crisis between Moscow and Washington sparked off by the arrest two weeks ago of Mr Daniloff, Moscow correspondent of the magazine US News and World Report. It also appears to reduce the threat to US/Soviet negotiations next week aimed at laying the foundation for a summit between President Ronald Reagan and Mr Mikhail Gorbachev, the Soviet leader, later this year.

Mr Daniloff, who was driven from Leforte military prison in Moscow in a US embassy car, said after his release: "I'm not a free man yet. I have changed a hotel for a much better one." It was not immediately clear whether he would go to the American Embassy in Moscow or be allowed to stay at his home until his trial is held.

The Soviet news agency Tass said that Mr Daniloff had been released under a "mutual agreement" and handed over to a representative of the US Embassy.

The Tass statement added: "The investigation into Daniloff's case continues. He must not leave the territory of the Soviet Union."

Meanwhile in New York, Mr Zakharov was taken to a Brooklyn court, where he was released by the judge into the custody of the Soviet Ambassador to Washington.

Mr Daniloff has always insisted that the charge of espionage against him was based on evidence fabricated by the KGB security police in retaliation for the arrest of Mr Zakharov.

In theory, both men will still be tried, but Washington and Moscow both want to prevent the Daniloff affair becoming an obstacle to improved relations.

The Soviet Government has been clearly surprised by the strength of the US response to Mr Daniloff's arrest but was committed to its announcement of his guilt soon after he was detained.

Yesterday's developments signal the end of a week of high-level diplomatic and public relations manoeuvring over the arrest of Mr Zakharov and the detention a few days later of Mr Daniloff on identical charges. As a result, the superpowers appear to have avoided a confrontation which threatened next week's meeting between Mr George Shultz, US Secretary of State, and Mr Eduard Shevardnadze, the Soviet Foreign Minister.

At that meeting, the two foreign ministers are expected to try to agree on the outlines of an agenda for a second summit between Mr Reagan and Mr Gorbachev.

The diplomatic tension over Mr Daniloff's arrest and the outrage it has aroused in the United States will, nevertheless, cast a shadow over the meeting of the two foreign ministers. There is speculation that, even assuming they do agree that a summit can be held, they may decide it would be better to set a date early next year and allow the political temperature to stabilise.

Background Page 3

WEEKEND FT

CONSUMERISM

Nearly 30 years after its founding, Which? magazine is still a middle-class bible. But in the late 1980s, UK consumerism is relatively fragile.

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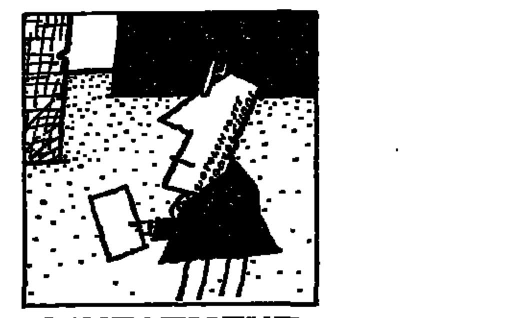

INVESTMENT

Keen to match your skills against the City's whizz-kids? Full details of our Great Investment Race.

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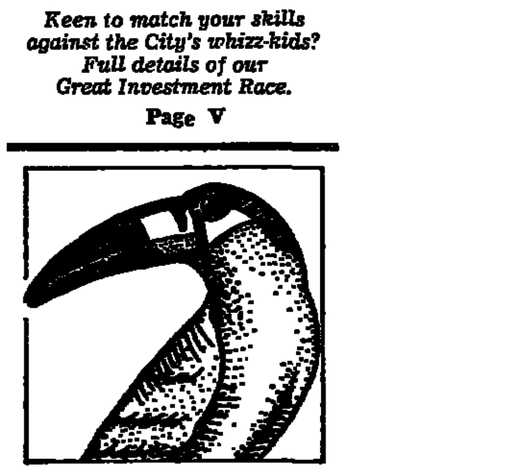


EXPEDITION

A party of young British scientists is about to enter the remarkable forest of Mazan, in southern Ecuador.

Page XII

SPORT

Sharp questions about Birmingham's Olympic bid.

Page XVI

WORLD NEWS

Bristol court bails 15

Fifteen people appeared in court in Bristol after the disorder which followed police drug raids in the St Paul's area on Thursday. All were bailed.

They included Kuomba Balogun, 24, chairman of St Paul's Community Association, who was charged with assaulting police and threatening behaviour.

Mideast peace move

The leaders of Egypt and Israel, President Mubarak and Prime Minister Peres, agreed at their Alexandria summit to work next year for a resumption of peace talks. Page 2

Hurd plea on spending

Home Secretary Douglas Hurd, in a London lecture, accepted the case for lower taxation but stressed the need to improve the quality of public services. Back Page

Fresh trial for Ver

The Philippines Supreme Court ordered ex-army chief General Fabian Ver, who fled the country with former President Marcos, to face a new trial with 25 others for the murder of Benigno Aquino in 1983. Page 3

Hijack lie detector test

A lie detector test was given to a man with a Libyan passport arrested in Pakistan in connection with the Pan Am hijack at Karachi airport. Page 3

US applauds Warsaw

The White House welcomed Poland's pledge to free political prisoners and hinted that it might ease economic sanctions.

Ulster bomb victim

The son of a part-time Ulster soldier was critically injured in Londonderry by a bomb which the IRA said was intended for a member of the Ulster Defence Regiment.

Fewer police on estate

The number of police patrolling Broadwater Farm estate in Tottenham, London, where PC Keith Blakelock was killed in a riot last October, will be cut, said Metropolitan Police Commissioner Sir Kenneth Newman.

Home loans down

Building society mortgage lending fell significantly last month, suggesting that home loans demand had passed its peak. Page 4

Teacher wins ruling

Suspended headmistress Maureen McGoldrick won a High Court injunction to halt disciplinary hearings by London's Brent council over charges that she showed racialism in her attitude to staffing.

Photographer dies

French modern art photographer Jacques-Henry Lartigue died in Nice aged 92.

Pirelli pulls out

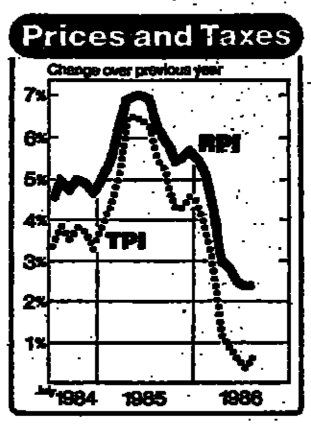
Pirelli of Italy is to stop supplying tyres to Formula One motor racing teams, leaving Goodyear as the only grand prix tyre supplier next season.

BUSINESS SUMMARY

TSB valued at £1.5bn

TRUSTEE SAVINGS BANKS: a price tag of £1.5bn was set yesterday on the TSB group, about to become the biggest new company to be entirely floated on the UK stock market. Merchant bank Lazard Brothers said the flotation would take the form of 1.5bn £1 shares. Back Page

BRITAIN'S annual inflation rate held steady at 2.4 per cent last month, but the Government expects prices to rise faster in coming months. Retail price index rose 0.3 per cent in August, for the eighth month in a row, leaving inflation at its lowest level for nearly 20 years. Page 4



US retail sales rose 0.8 per cent last month. Wholesale prices were up 0.3 per cent. Page 2

SHEEP movement restrictions, imposed after the Chernobyl accident, were lifted in Dalry (Dumfries and Galloway) and part of Straiton (Strathclyde).

US SAID it might restrict the operations of Japanese financial institutions in the US unless Japan liberalised its short-term financial markets. Back Page

CABLE TELEVISION: Trade and Industry Department plans a consultative paper this year on cable policy, with particular reference to telecommunications. Page 4

BELGIAN employers and unions reached a draft framework for wages and working conditions for 1987-88.

INDONESIA devalued the rupiah by 45 per cent, to 1,600 to the US dollar. Page 2

ENSIGN TRUST's £86m takeover bid for Berry Trust failed after Ensign won the support of only 29.55 per cent of Berry's shareholders. Page 10

HERON International, UK property and financial services group, succeeded in a $78m (£53.4m) bid to the Spanish Government for properties of the Rumasa group. Page 4

UNILEVER, Anglo-Dutch consumer products group, sold its Thames Case corrugated division to ASSI of Sweden. Back Page

PLESSEY electronics group is collaborating in a US venture to develop a wristwatch with a telephone paging device. Page 6

UNIT TRUSTS: we regret that, because of technical difficulties figures given on pages 16 and 17 may be inaccurate.

World stock market plunge continues

BY GEORGE GRAHAM AND FOREIGN STAFF

STOCK MARKETS around the world plunged further yesterday, failing to shrug off record falls in New York and Tokyo the previous day.

European share prices tumbled in the morning, after Wall Street's 4.6 per cent drop on Thursday. They rallied about noon but the slide was renewed once New York stock markets had opened lower.

Trading volumes were heavy, but the sudden changes in direction left dealers bemused. "We have never seen movements like this on a Friday. The violence with which it turned round has made market-making very difficult," said Mr Terry Connor of Scrimgeour Traders, a London equity dealer.

Some professional investors, however, were more cheerful about the collapse of global share prices.

"Hooray—some shares are going to come back within buying range again. When the index falls like this, I start thinking about what I can buy, because it does throw up some anomalies," said Mr Bill Stuttaford, chairman of Framlington, a fund manager.

The US administration, which has been trying to dispel fears about the US economic outlook, tried to minimise the significance of Wall Street's fall.

Analysts doubted that the Wall Street fall on Thursday would have much residual effect on the Tokyo market, where a massive inflow of capital continues to be the dominant factor. However, Monday will be a holiday in Japan so Tokyo dealers may well take their cues from Wall Street again on Tuesday morning.

Mr Larry Speakes, the US presidential spokesman, said the administration had never tried to explain the stock market, but commented that the good news on the U.S. economy was overwhelming.

In New York, the stock and bond markets tried a rally, in highly volatile and furiously fast trading when economic data turned out better than expected. The attempt had petered out by lunchtime, though, and the stock market turned rapidly to a further 30-point loss, on top of the record 86.61 points shed on Thursday.

Stocks had opened sharply lower and the Dow Jones industrial average of 30 blue chip shares was down 47 points after an hour of trading. The big board then followed the lead of the bond market, which rallied briefly when retail sales and producer price figures seemed to pose less of an inflationary threat than feared. The Dow managed a fleeting foray into positive territory at noon, before it slid swiftly into further losses by early afternoon.

Trading volume in the first three hours of 157.1m shares, was 20 per cent higher than in the comparable period on Thursday, when the New York Stock Exchange set a full-day record of 238.3m shares.

Bargain hunters, heavy institutional trading, and large sales by mutual funds responding to a strong tide of redemptions by small investors, contributed to the frantic trading pace, analysts said. "Let's hope this is the storm before the calm," one commented.

Participants and observers alike were said to be highly confused and jittery as they tried to work out which fundamental and technical factors had caused the market to lose 120 points in a day and a half of trading.

"What does the market know that I don't?" wondered one seasoned analyst.

Mr John Shad, chairman of the NYSE, blamed the London market for having triggered the avalanche on Thursday. He said UK rumours about inflationary US economic growth "started sales in the London floating-rate bond market, which carried over

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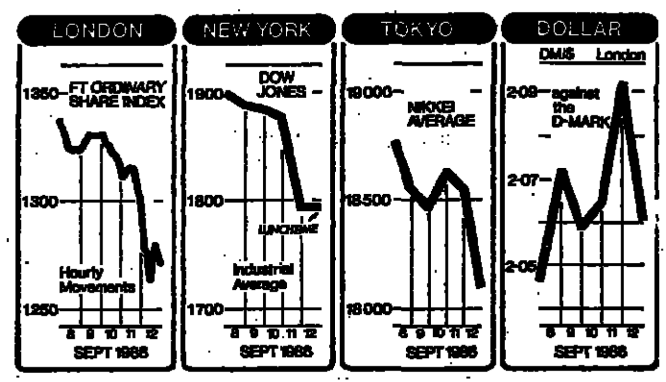

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AE just avoids takeover bid from T&N

BY DAVID GOODHART

AE, the motor components group, has escaped being taken over by Turner & Newall, the revitalised mining, automotive and engineering company — but only just.

In one of the closest takeover battles for several years, T&N failed to take control by only 1 per cent, having won acceptances or bought shares from 49 per cent of AE's shareholders.

This latest takeover failure appears to confirm a move away from supporting big bids following the rejection of the Lloyds Bank bid for Standard Chartered, Dixons' bid for F. W. Woolworth, and Evered Holding's bid for McKechnie Brothers.

Sir John Collyear, AE chairman, said: "The outcome of this bid has shown that City institutions have reinforced the recent trend in backing effective existing managements and have not been enticed by short-term considerations. I hope that more companies will now be encouraged to take a longer, more international, view."

At yesterday's closing prices, the bid valued AE at £257m, down from a peak over £270m, compared with the company's market capitalisation last night of £203m. AE's shares closed 26p down at 203p and T&Ns were down 12p at 187p.

Astute last-minute buying of just over 1 per cent of AE's shares by its own merchant bank—Hill Samuel—now seems to have made the crucial difference. Hill Samuel targeted potential supporters of, or sellers to, T&N on Thursday and offered them 242p per share, just above T&N's cash alternative of 240p. Over the past few days acceptances of the T&N offer fell from 10 per cent to just under 7 per cent.

Defeat will be a bitter and expensive blow to T&N which recovered from virtual collapse in 1982 to report pre-tax profits of £34.2m on turnover of £535m for last year. It was looking for a major takeover to further reduce its dependence on Africa and asbestos-related products. But AE managed to convince its shareholders that its record of high investment in production technology is winning increasing international market share and could be jeopardised by a takeover.

T&N is now left holding a 29.6 per cent stake in AE which is already valued at about £10m less than the price paid for it. It will face a separate bid expenses bill of about £8m.

Sir Francis Tombs, the T&N chairman, said: "We are disappointed that an existing opportunity has been so narrowly lost. All shareholders of AE will be looking to the directors of AE to deliver the promises they have made."

Sir John said the T&N stake was "obviously a problem for both companies," but he hoped the shares would be placed "sensibly."

"I'm now looking forward to getting back to my office, where I have rarely been for the past 60 days," he said. He added that he had called in all managing directors from Britain and Europe for a major strategy discussion next week.

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Reagan pressed on S. African sanctions

BY STEWART FLEMING, US EDITOR IN WASHINGTON

THE US House of Representatives yesterday approved legislation which would force President Ronald Reagan to impose stricter economic sanctions on South Africa.

The vote in favour was overwhelming. It followed a critical decision on Thursday when the Democratic leadership, which controls the House, decided to adopt without change a Senate deal which called for stiffer economic sanctions. The Senate bill was much milder, however, than the House version of the sanctions legislation passed earlier this year, which would have imposed a virtual economic embargo on South Africa.

The congressional action represents a rejection of President Reagan's South Africa policy. The White House, which was forced by Congressional pressure to impose mild sanctions itself in order to head off the threat of congressional legislation, has been resisting calls for tougher measures and has vigorously opposed punitive economic sanctions.

things, prohibit new business investment in South Africa, ban imports of steel and other products from government-legislation would, among other

The Senate version of the controlled companies, and deny landing rights to South African Airways. By adopting it, the House has virtually ensured that fresh sanctions will be imposed.

There will now be no need for the two chambers to convene a conference committee in an attempt to agree a compromise deal — something which would have slowed the legislative process and might have provided the White House with an opportunity to block the legislation. Instead, the deal will be processed quickly.

Mr Reagan now faces the unpalatable prospect of either vetoing the legislation, knowing that such a move is likely to be overriden, since the bill was passed in both chambers by large enough majorities to override a veto; or of accepting it.

The House vote, passed by 308 votes to 77 with 48 abstentions, was taken three days before the Council of Ministers in Europe is due to discuss a provisional package of economic measures against South Africa adopted at the Hague Summit of the 12 member-states last June.

Centres for ex-detainees Page 2

IBM plans to cut US workforce

By William Hall in New York

INTERNATIONAL Business Machines (IBM), the world's biggest computer manufacturer whose earnings have been hit by a downturn in demand for its products and increasing competition, is planning to reduce its 242,000-strong US workforce by at least 12,000 by the end of next year.

The company yesterday announced a programme to encourage early retirements. IBM had till now avoided the redundancies which have hit some of its smaller competitors. It has severely restricted new hiring and slashed overtime, but seemed intent until recently on holding its US workforce at 242,000.

Mr Ulric Weil, a leading US computer analyst, said yesterday: "We have known for some time that IBM is overstaffed and will still be overstaffed even after this retirement programme."

IBM, whose worldwide workforce jumped from 75,000 in 1970 to 405,000 at the end of last year, has made occasional attempts in the past to cut its numbers. Twice during the early 1970s it offered employees a lump sum incentive, known

Continued on Back Page

MARKETS

DOLLAR	STERLING
New York lunchtime:	New York lunchtime: $1.4805
DM 2.0605	London: $1.477 (1.469)
FFr 6.7415	DM 3.045 (3.0725)
SFr 1.668	FFr 9.95 (10.0375)
Y155.25	SFr 2.4675 (2.495)
London:	Y229.5 (same)
DM 2.0605 (2.091)	Sterling index 71.0 (71.6)
FFr 6.7375 (6.8325)	**LONDON MONEY**
SFr 1.6705 (1.699)	3-month interbank: closing rate: 10⅜% (9⅞)
Y155.3 (156.3)	**NORTH SEA OIL**
Dollar index: 111.1 (111.8)	Brent 15-day October (Argus) $14.55 ($14.375)
Tokyo close: Y156.65	**STOCK INDICES**
US LUNCHTIME RATES	FT Ord 1,270.9 (−27.3)
Fed funds: 5⅛%	FT-A All-Share 794.66 (−2.2%)
3-month Treasury Bills: yield: 5.2%	FT-SE 100 1,608.5 (−27.9)
Long Bond: 94⅞ yield: 7.71%	FT-A long gilt yield index: high coupon 9.91 (9.8)
GOLD	New York lunchtime: DJ Ind Av 1,768.84 (−24.05)
New York: Comex Dec latest $419.8	Tokyo: Nikkei 18,100.52 (−480.73)
London: $415.75 (403)	

Chief price changes yesterday: Back Page

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OVERSEAS NEWS

Israel and Egypt agree to resume peace process

BY TONY WALKER IN CAIRO

ISRAEL and Egypt have declared 1987 as the year of negotiation for peace in the Middle East.

President Hosni Mubarak of Egypt and Mr Shimon Peres, Prime Minister of Israel agreed in Alexandria to work to resume stalled peace efforts.

A final communique, however, which excluded specific reference to Palestinian rights to self-determination, indicated continuing areas of disagreement.

The communique referred to a new phase in Israel-Egyptian relations and the urgent need for a peaceful settlement of the Arab-Israeli dispute, including a resolution of the Palestinian issue.

Egypt appears to have failed to elicit from the Israelis any significant concessions on the Palestinian question.

A senior Israeli source said: "The Egyptians wanted to put into the communique Palestinian self-determination within the context of a confederation with Jordan. That is PLO (Palestine Liberation Organisation) language we could not accept."

Mr Peres would have faced an outcry in Israel if he had agreed to any such formula. His coalition partners, the hard-line Likud, are opposed to compromise with the Arabs in the interests of a wider Middle East settlement.

Mr Peres appears to have benefited most from the summit which allowed him to fulfil his role as a man of peace in the Middle East without making significant concessions.

Egyptian officials sought to stress the positive aspects of the summit, though they seem certain to have been disappointed that Mr Peres was unable to depart from a rigid Israeli position on the Palestinian question.

Absent from the communique was specific reference to an international conference on the Middle East. The two sides agreed on the need for one but appear far apart on how it might be convened and who would attend.


Mr Mubarak: ends old peace


Mr Peres: faced outcry

Israeli and Egyptian officials said there was discussion on establishing a preparatory committee to work for an international conference, but no specific decision was taken.

Barriers in the way of an international conference, attended by parties to the dispute, plus the five permanent members of the United Nations Security Council, include difficulties over who should represent the Palestinians and whether the Soviet Union could participate in the absence of diplomatic relations with Israel.

Egyptian officials will not have overlooked the fact that 1987, the year nominated in the communique for a Middle East peace drive, coincides with the tenure as Israel's Premier of Mr Yitzhak Shamir.

Mr Shamir, leader of the Likud bloc in Israel's national unity coalition, is due to serve for two years from next month.

Several Israeli officials close to Mr Peres were disappointed the summit did not yield more substance. One described it as the "souffle summit."

Mr Peres praised Egypt's "tireless efforts" in the search for Middle East peace. He said the two sides had reached a "very wide range" of understanding on the issues between them.

Several Israeli officials noted that domestic political constraints on Mr Peres prevented more explicit recognition of Palestinian aspirations.

General Avraham Tamir, head of Mr Peres's office, said Israel's premier was ready to go very far within the limits of the coalition agreement.

Mr Ezer Weizman, a Cabinet minister and special adviser to Mr Peres on Arab affairs, appeared unhappy at the lack of progress on the Palestinian question.

"The Egyptians wanted a statement on the Palestinian problem. We couldn't accept—period," he said.

The Alexandria summit was the first meeting between Israeli and Egyptian officials since the late President Anwar Sadat received Mr Menchem Begin in August 1981.

Mr Sadat was assassinated in October that year. Israel invaded Lebanon in 1982 and in protest Egypt downgraded its relations with Israel to charge d'affaire level.

In the year since Mr Sadat's death a "cold peace" has prevailed between the two countries. Officials of both sides said they hoped the summit would promote a more constructive relationship.

Mr Abba Eban, chairman of the Israeli parliament's foreign affairs and defence committee, said the most significant achievement of the Alexandria meeting was to end the "deep freeze" in Israel-Egyptian relations.

He said another important development was that the two sides agreed the agenda for peace was now headed by the Palestinian question.

Paris restaurant bomb injures 38

By David Housego in Paris

TERRORISTS yesterday stepped up their challenge to the French Government by exploding a bomb in the restaurant of a supermarket chain in Paris that injured 38 people.

The attack is believed to have been carried out by the same Arab-backed terrorist group which four days ago set off a bomb in the Paris town hall killing one person and wounding several others.

The terrorists are demanding the release from prison in France of Georges Ibrahim Abdallah, the leader of the Lebanese Armed Revolutionary Faction (FARL).

Yesterday's attack came as the Government was preparing to announce measures against terrorism.

The police have still to uncover the group's membership in France — notwithstanding that they claim responsibility for a wave of attacks last winter.

Yesterday's bomb was planted in a restaurant at La Defense —the "skyscraper" quarter just to the north of Paris—during the lunch hour. Two of the 38 were seriously injured.

Mr Charles Pasqua, the Minister of the Interior, said afterwards that a man had been spotted fleeing from the site. But the attack is bound to reinforce the impression of the continuing powerlessness of the police against the "solidarity committee with Arab political prisoners" as the terrorist group calls itself.

Small rise in US retail sales points to economic stagnation

BY STEWART FLEMING, US EDITOR IN WASHINGTON

US RETAIL sales rose by only 0.8 per cent in August after increasing by 0.3 per cent in July, the Commerce Department said yesterday.

The increase was accounted for entirely by surging sales of cars as consumers responded to sales incentives such as cheap financing loans being offered by the major manufacturers. The figures were widely interpreted as another indication that the economy is probably still expanding, but at best only slowly.

Separately US wholesale prices in August rose 0.3 per cent, a compound annual rate of increase of 3.8 per cent, largely reflecting a sharp rise in food prices.

The increase was less than many economists feared. But it appears to signal the end of a period when, partly under the influence of falling oil prices, wholesale and consumer prices have been falling and inflation at its lowest levels in a generation. Over the past 12 months wholesale prices have fallen 1.8 per cent.

Although the detailed breakdown of price trends showed that finished energy prices declined 1.5 per cent in the month the decline was much less than the falls recorded in earlier months, something which will tend to reinforce the credibility of those economists who have been arguing that inflation is likely to rise back to the 3-4 per cent level in coming months.

The White House, which has been trying to dispel fears about the economic outlook—US Treasury Secretary James Baker earlier this week said that he did not think the economy was heading for recession —tried to minimise the significance of the Wall Street collapse.

White House spokesman Larry Speakes maintained that "the economy remains strong and all indicators point towards a brisk performance in the second half of this year." Commenting on the stock market itself, he said, "I don't think we have ever tried to explain the stock market," adding that it is "only one of the economic indicators."

"The good news has been so overwhelming for many months that it is difficult to believe that anybody has any problems with the economy," he remarked.

Wall Street's performance, unless the collapse is reversed, could nevertheless pose a serious political problem for the Reagan administration

It could both adversely affect already fragile business confidence and focus public attention on an economy which has been at best sluggish for the past two years, something administration strategists have been trying to avoid.

'Non-use of force' deal for Europe

By Sara Webbs in Stockholm

THE Stockholm security conference came closer to a successful completion as participants agreed yesterday to the non-use of force in Europe.

The non-use of force is only one of five discussion areas at the conference on confidence- and security-building measures and disarmament in Europe, which is due to end next Friday.

The 35 participating countries have informally agreed not to use force except in self-defence, in what amounts to a rewording of part of the United Nations Charter.

An additional section reaffirms the universal significance of human rights and fundamental freedoms, issues which do not bear directly on the Stockholm conference but which are covered by the Helsinki agreement on security and co-operation in Europe.

Mr Oleg Grinevsky, head of the Soviet delegation, described the agreement on non-use of force as "very important." The issue is close to Soviet hearts as it is one of six proposals which the Soviet delegation put forward at the conference in May 1984, of which only two were taken up for discussion.

Further progress has been made on the issue of notification, whereby a country must inform the other participants of certain military manoeuvres.

The delegates have agreed to give notification 42 days in advance.

US wants Gatt to ease investment curbs

BY WILLIAM DULLFORCE IN PUNTA DEL ESTE

MR JAMES BAKER, the US Treasury Secretary, is insisting that the removal of developing countries' restrictions on trade-related investment by the industrial countries should be included on the agenda for new international trade negotiations.

A commitment by governments to negotiate more liberal access for foreign investment is needed to ensure the success of the programme for solving developing countries' debt problems which the US launched last year, Mr Baker has told the US delegation to the meeting of world trade ministers in Punta Del Este, Uruguay.

The Baker Plan calls for international lending agencies and the commercial banks to commit a further $20m each in net new money to the indebted countries over the next five years.

It also encourages the conversion of it into equity. Such conversions would be more attractive to foreign lenders if regulations on foreign investment and repatriation of profits in developing countries could be liberalised.

Mr Baker has also written to finance ministers in several allied countries, urging them to press the issue on their delegation. Uruguayan officials report.

Trade ministers from more than 90 countries began to arrive yesterday in this South Atlantic resort for the meeting starting on Monday at which they are due to launch a new round of trade-liberalising talks under the auspices of the General Agreement on Tariffs and Trade.

Mr Baker's initiative is bound to revive one of the most controversial issues to surface during the preparations for the ministers' meeting. This is whether the scope of GATT should be extended to cover trade in services, intellectual property rights and trade-related investment.

The US aim to have these new areas introduced to GATT has brought it into bitter confrontation with hardline developing countries such as Brazil and India, which object strongly to opening their economies to multinational companies and other foreign interests.

The "new" GATT issues threaten to occupy more of the trade ministers' attention next week than the other major unresolved question, trade in agricultural products.

Mr Enrique Iglesias, the Uruguayan Foreign Minister who will chair the meeting, is worried that argument over whether GATT has the right to take on board the new issues could block progress at the talks, Uruguayan officials say.

Norwegian PM apologises to Thatcher over protest

BY FAY GJESTER IN OSLO

MRS Gro Harlem Brundtland, the Norwegian Prime Minister, yesterday apologised for the violent demonstrations which delayed Thursday night's state banquet for Mrs Margaret Thatcher, the British Prime Minister, who has been paying an official visit to Norway.

Police had to use tear gas to clear a hostile crowd of several hundreds of demonstrators from the forecourt of Oslo's Akershus Castle in the worst rioting this normally peaceful country has seen since the anti-Vietnam war demonstrations during the 1960s.

The demonstrations in Tromso and Oslo, organised by environmental, anti-apartheid and pro-Irish Republican groups, had "raised issues which concern many Norwegians." Mrs Brundtland told a press conference. "But for me, what happened last night was not politics. I have apologised to our guests and police inquiries are starting."

Mrs Thatcher said at a press conference at the end of her visit that she and Mrs Brundtland had reached agreement on "a wide number of issues."

Asked if she had been surprised or concerned at the "strength and violence" of demonstrations against her, Mrs Thatcher said "No, I'm used to demonstrations."

Botha denies Asia tour aimed at beating sanctions

BY DAVID DODWELL IN HONG KONG

SOUTH AFRICA'S Foreign Minister, Mr Pik Botha, yesterday insisted during a short private visit to Hong Kong that his trade-promoting tour of Asian countries was not aimed at curbing the losses that could result from trade sanctions in Europe and the US.

He was on the lookout for new markets and for opportunities to diversify trade, he said.

Mr Botha efused to disclose what had been achieved during meetings in Japan, Taiwan and Hong Kong.

He said talks had been constructive, and that he had seen "great new potential for South Africa to diversify its trade." He said the time had come for South Africa to develop its trade with the Far East.

Officials in Hong Kong have been keen to stress the "private" nature of Mr Botha's visit. He was met on Thursday by a member of the government's protocol department, his only contact with the government.

Sir Edward Youde, Hong Kong's Governor, is in London.

South Africa's direct trade with Hong Kong amounted last year to a modest US$290m — most of it coal imports.

More important — and also more difficult to guage — is Hong Kong's importance to South Africa as a "no-question-asked" staging point for trade with third countries — in particular China.

Hong Kong government officials have insisted they have no plans to impose sanctions on South Africa, no matter what action the British Government takes in concert with EEC partners later this month.

Hong Kong has banned trade in Krugerands, which officials see as sufficient gesture in protest against South Africa's apartheid policies. Hong Kong is an important booking centre for the gold trade in Asia, and the ban cannot have been welcome in Pretoria.

Mr Botha said he abhorred the apartheid system, and admitted the existence of many severely prejudiced people in South Africa. He said the present government had resolved to remove racial discrimination, but was doing it in a way that ensured public support.

"It would be easy to change the laws, but we have to change the hearts and minds of people, and this takes time," he said.

The number of unemployed in recession-hit South Africa may be as high as 6m. This is 12 times more than official figures, according to a private study published yesterday.

The survey, by researchers at the University of Witwatersrand in Johannesburg, estimated that black people accounted for between 4.8m and 5.9m of the total.

Other private researchers, who asked not to be identified, said they felt the report erred on the high side although they agreed government figures were nearly always too low.

Financial plan for Singapore

By Colina MacDougall

SINGAPORE planned diversification of its financial services as a way back into economic growth, Dr Richard Hu, Minister of Finance and Health, said in London yesterday.

Dr Hu's visit, part of an effort by Singapore to round up fresh interest abroad in investment, follows a similar mission last week by Mr Goh Chok Tong, deputy Prime Minister.

While Singapore's economy, which showed negative growth in 1985 after years of rapid expansion, is expected to increase at 1 per cent-2 per cent this year, this modest turnround is based mainly on growth in oil refining and electronics output.

Reassured by the fact that the banking industry did not develop serious problems in the recession last year, Singapore planned development of "brain-intensive" services, Dr Hu said.

These included expansion of trading on the Asian dollar market, in financial futures (recently the new Singapore Monetary Exchange) on the foreign exchange market, and in fund management.

The Government also planned an unlisted securities market, a government securities market and an Asian dollar bond market.

American kidnapped

The acting comptroller of the American university of Beirut was yesterday kidnapped as he left his flat writes Nora Boustany in Beirut. It was the second gunpoint abduction of a US citizen in Moslem-controlled west Beirut this week.

Mr Joseph James Cicippio, 56, was approached by a band of gunmen hiding behind bushes near the entrance to a block of flats as he attempted to walk to his office in College Hall, the campus administration building. A janitor said the abductors hit Mr Cicippio with pistol butts on the back of his head, bundled him into the boot of a waiting car and drove off.

Indonesia devalues

THE INDONESIAN Government last night devalued the rupiah by 45 per cent from 1,100 to the US dollar to 1,600.

The announcement was made by Mr Radius Prawiro, the Finance Minister. He said a further announcement would be made on new banking regulations but did not elaborate.

Indonesia has been hard hit by a massive decline in oil export revenue following the collapse of world market prices. It is expected that the country, a nation of 165m people in south-east Asia, will suffer a cut in oil export revenue from about $11bn to about $7bn this year.

Deal signed for NKr 25bn gas field in Norway

By Lucy Kellaway in London and Fay Gjester in Oslo

THE PARTNERS in the giant Troll gas field in Norway have signed an agreement which will commit them to invest about NKr 25bn (£2.5bn) in developing the field, which will supply most of the gas for the £40bn sales contract between Norway and a consortium of European buyers.

The agreement concludes difficult negotiations on a number of potentially explosive technical issues, which could have threatened the project.

Contracts were also signed yesterday by partners in the Sleipner field, gas from which will also be sold under the contract, and Zeepipe, the system which will transport gas to Europe.

Total investment in the three projects will amount to NKr 58bn (£5.8bn) and the first gas will be delivered in 1993.

On Monday the partners will present development plans to the Norwegian Government. The buying consortium, led by Ruhrgas of West Germany, will confirm its purchase agreement on October 15.

Shell, which will operate Troll in its development phase, had previously complained that the returns from the project were too low. It said yesterday the economics of Troll were "marginal at best," but that it had decided to go ahead.

● Sheik Ahmed Zaki Yamani, the Saudi oil minister, has asked for a meeting with Mr Arne Oien, the Norwegian energy minister, before the next Opec meeting on October 6.

Pretoria confirms it set up ex-detainee centres

BY JIM JONES IN JOHANNESBURG

THE SOUTH African Government has set up youth centres which, it says, are designed to prepare young ex-detainees for re-entry into their communities.

It reacted defensively to concern that youngsters are coerced into entering the camps and to the secrecy with which they were set up.

The existence of the camps was disclosed late on Thursday by Mr Neil Ross, who heads the Progressive Federal Party's Missing Persons Bureau. His party's concern stems from allegations by ex-detainees that they were given the choice of remaining in detention or attending the camps as well as from the Government's apparent reluctance to disclose details of the centres.

Mr Job Schoeman, a spokesman for the Department of Education and Training (DET) said in an interview yesterday that 167 ex-detainees had gone to what he described as "youth centres."

He said that there were five or six centres around the country which had been run by the DET for several years for training purposes.

The DET, Mr Schoeman said, had offered the facilities to young people being released from detention for training in leadership, study techniques and community development.

He said there was no truth to allegations that people at the camps were offered inducements to become police informers.

Greece to outline Turkish rifts

BY ANDRIANA IERODIACONOU IN ATHENS

GREECE INTENDS to run through the full catalogue of its disputes with Turkey and reiterate its opposition to the revival of Ankara's relations with the European Community at a ministerial dinner to be held on the eve of a meeting of the Turkey-EEC Association Council on September 16, according to Government officials in Athens.

Association Council meetings lapsed after the 1980 military coup in Turkey, which led to the freezing of the 1963 Turkey-EEC Association Treaty.

Next Tuesday's meeting, the result of determined efforts by member states such as the Netherlands and Britain to revive the Association Treaty, is to go ahead without a common position of the Twelve on the technical issues to be discused due to Greek objections.

Greece is opposed to any move to normalise Turkey's relations with the Community on a variety of counts, all of which are expected to be ennumerated at the dinner.

In Athens' view, Turkey's human rights record has not improved sufficiently since 1980 to justify a revival of its relations with Brussels. Greece is also incensed over a 1964 Turkish government decree restricting the property rights of persons of Greek origin in Turkey.

Ankara's military occupation of the northern part of Cyprus since 1974, and what Greece perceived to be Turkish expansionist designs in the Aegean, are additional sore points.

According to Greek officials member states such as Denmark and Luxembourg also expressed concern in discussions leading up to the Association Council meeting over the issues of Turkey's human rights performance and the continuing military occupation of Cyprus.

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OVERSEAS NEWS

'Equal paranoia' versus openness in Daniloff's Moscow

Patrick Cockburn on foreign correspondents, tit-for-tat diplomacy and better press relations

"IT'S A sign that Gorbachev and his men want visible equality with the West." Mr Nicholas Daniloff, correspondent of the magazine US News and World Report, said to me last September. We were waiting to see if I would be one of the British journalists and diplomats expelled from Moscow in retaliation for the expulsion for espionage of 31 Soviets from London.

A year later Mr Daniloff became the latest victim of "visible equality" when he was arrested for espionage in apparent retaliation for the arrest of Mr Gennady Zakharov, a Soviet physicist working for the UN in New York.

Before his arrest the greatest danger to correspondents in Moscow appeared to be expulsion, almost certainly as a matter of reciprocity. Mr Anthony Robinson, my predecessor as FT correspondent was expelled in 1983. Last year the dozen or so British correspondents here found their number cut in half in retaliation for the expulsion on Soviet citizens from Britain.

Mr Robin Gedye, then the newly-arrived Daily Telegraph correspondent said: "after three weeks in Moscow devoted to putting together the Habitat furniture, laying lino in the kitchen and trying to exterminate cockroaches I was suddenly expelled for impermissible activities."

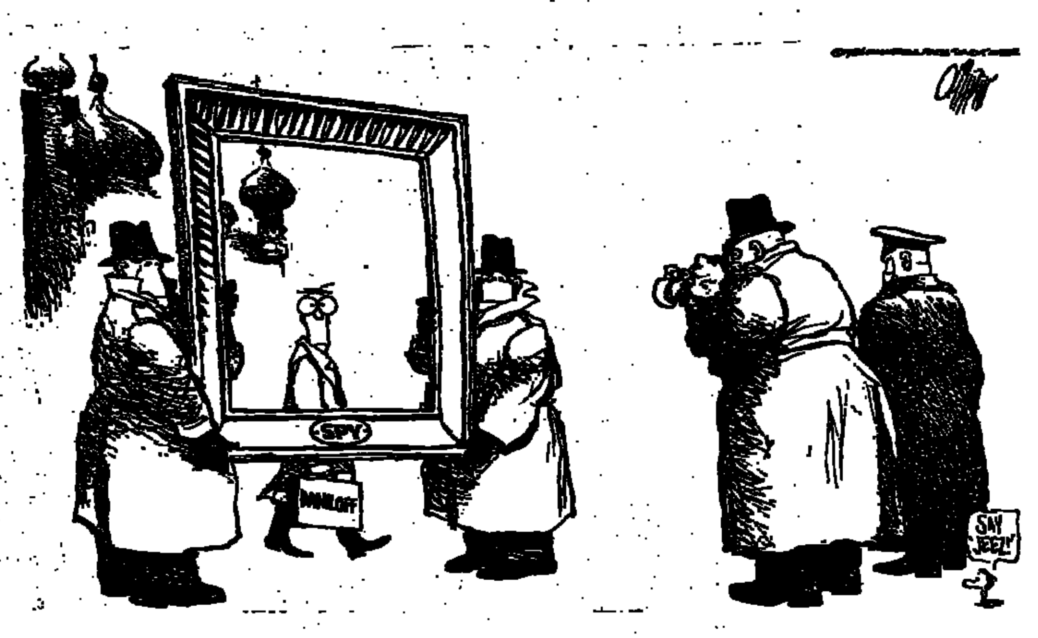
Overall the chances of expulsion are large and of arrest small. In neither case is there much a foregin correspondent can do. I have never felt my personal security threatened as in Lebanon or Northern Ireland and overall the conditions for foreign journalists in Moscow are good—better certainly than in many other parts of the world.

Like most foreigners from the west we live in some 20 special buildings scattered across Moscow. Most people in these blocks are diplomats. Others are businessmen and journalists.

The outer gates are guarded 24 hours a day by police in grey uniforms and peaked caps with a red band. Their job is to monitor residents moving in and out and more especially to stop any Soviet citizens coming into the building unaccompanied by a resident.

The result of these measures is that it is near impossible to socialise with ordinary Muscovites in one's own apartment. Most diplomats socialise within the foreign community. Social life often resembles that enjoyed by British rubber planters in Malaya soon after the First World War as described by Somerset Maugham: starchy dinner parties, some of exceptional tedium, are frequent.

The sense of siege felt by many foreigners in Moscow is increased by the belief that the phones are tapped and apartments bugged. The first is certainly true, though phone calls are probably more often recorded than listened to. The bugging of apartments, however, is probably intermittent depending on who is visiting.



Surveillance clearly depends on the likely Soviet interest: to know what an American diplomat is saying is more interesting than listening to the FT correspondent.

The same cost-effectiveness rule applies to being followed. In most cases it is not worth while the KGB secret police pursuing correspondents or diplomats through the streets of Moscow, a difficult thing to do in any case because the heart of the city consists of a maze of interconnecting courtyards.

Before coming to Moscow in 1984, I asked a former diplomat recently returned from the Soviet Union, how seriously I should take warnings of perpetual surveillance and intermittent harassment. He said most of this was exaggerated. To follow somebody through a city you need eight people and three cars continually on duty, an expensive business not undertaken lightly by the authorities.

He also said self-censorship, because of bugging or phone taps, was much more likely to inhibit the activities of a foreigner in Moscow than anything the KGB would do. Some embassies encourage continual suspicion of all things Soviet among their diplomats, but this easily develops into all-embracing paranoia, corroding common sense and good judgment. It is doubtful that it enhances security.

Correspondents are in an easier position knowing no secrets and not constrained by home government regulations. They also do not, as Mr Daniloff knows to his cost, have diplomatic status and therefore may be arrested.

Within Moscow foreigners are free to go where they want but before leaving the capital they have to inform the authorities of their plans in detail two working days in advance.

It is then up to the Foreign Ministry (in the case of defence attaches the Soviet Defence Ministry) to refuse permission.

Off limits are large parts of Moscow district, almost all border areas, regions such as the Ural Mountains where much Soviet defence industry is situated, rocket testing areas in Kazakhstan in central Asia and the oil and gasfields of west Siberia.

This still leaves an area much larger than western Europe where correspondents can travel, though they may not stay in many cities simply because there is a regulation saying they must be able to stay in a superior class of hotel.

In general, the further from Moscow the more willing are people to talk.

The willingness of anybody in authority to speak to foreign journalists has increased in the 18 months Mr Mikhail Gorbachev has been in power. Greater openness — *glasnost* — is the slogan of the Soviet Press today and many of the benefits rub off on foreign journalists.

There are still many exceptions. Last December Mr Daniloff and I interviewed the first deputy editor of Economocheskaya Gazeta, the main economic newspaper, about Mr Gorbachev's plans for economic reform. He rejected the idea that anything out of the ordinary was happening.

"We have discussion, yes, but we also had discussion about the economy in the 1920s, 1930s, 1940s, 1950s, 1960s and 1970s," he said.

"Maybe not in the 1940s," said another member of the paper's staff.

The real sign of the change was outside in the corridor where a workman was changing a name plate on a door. The editor of the paper had just been replaced.

These days the foreign press is cultivated. There are almost daily press conference and briefings from senior officials. When the cruise ship Admiral Nakhimov sank in the Black Sea, killing 400, last month all details were immediately released. The Deputy Minister for Merchant Marine immediately gave a Press conference.

There is, however, still ambiguity, amounting at times to schizophrenia, in the way the Soviet Union treats the resident foreign press. On the one hand there are serious efforts to explain Soviet policy at home and abroad. On the other there are continuing attacks in the Soviet press, often hectoring and xenophobic in tone, on individual journalists.

There are a number of explanations for this. "Always remember, we are just as paranoid as you are," a Soviet diplomat told me.

Also, the Soviets are sensitive to what is beamed back in Russian over foreign radio stations.

There also appears to be a division, in part to do with generation, between those Soviet officials who see foreign journalists as licensed espionage agents whose attempts to obtain information must be thwarted wherever possible and those who think it might be useful to tell the world what the Soviet Union thinks it is up to.

Japan 'committed to world harmony'

BY IAN RODGER IN TOKYO

JAPAN'S Prime Minister, Mr Yasuhiro Nakasone, in his first important policy speech since his election victory in July, committed his government to making Japan a country in harmony with the rest of the world.

At a time of rising worldwide anger over Japan's huge trade surpluses, Mr Nakasone reaffirmed his government's view of the "urgent need to transform our economic structure and make it more in harmony with the international community."

Speaking in the Diet, the Japanese parliament, yesterday, Mr Nakasone apologised personally for remarks offensive to China and Korea made last week by the education minister, who has been sacked. The former minister's remarks disputed the seriousness of Japanese atrocities in China and Korea during the Second World War.

"I find the recent incident most regrettable," said Mr Nakasone. "Preserving and strengthening good relations with the neighbouring countries of Asia is basic to Japanese foreign policy."

He said Japan had to accept increasing leadership responsibility in dealing with the world's problems. For example, Japan was seeking an early visit from the Soviet leader Mr Mikhail Gorbachev and hoped to be able to help improve relations between the US and the Soviet Union.

The country was also working to enhance its official assistance to developing countries.

"It is essential that we seem not simply to reap the benefits of international peace and prosperity but that we bear our fair share of the burden and contribute to the international good."

Mr Nakasone said Japan's economic priority was finding ways to achieve sustained growth centred on domestic demand rather than on exports. In the short term, the government was planning additional public works investment and was encouraging local governments to do so as well.

Regulatory restrictions would be eased so that private-sector groups could participate in urban redevelopment and public interest projects. The cost of government-sponsored housing loans would be cut in a bid to boost housing starts.

The other main items on the government's agenda in the next year are the break-up and privatisation of the Japanese National Railways and tax, administration and education reform.

Man with Libyan passport questioned on hijacking

BY MOHAMMED AFTAB IN ISLAMABAD

AN ARAB who was arrested in Islamabad on Thursday in connection with assisting the four hijackers of the Pan American jumbo at Karachi was carrying a Libyan passport officials said yesterday.

Mr Salman Tarakai was arrested at the Islamabad airport on a tip off from Karachi, from where he had flown on an internal flight. He is understood to have assisted the four hijackers who commandeered the Pan Am aircraft on September 5, leading to the death of at least 21 passengers while 150 were injured.

Senior police officials here said Mr Tarakai calls himself an official of the Libyan Government. He says he is an engineer by profession, and his job is to inspect Libyan missions around the world.

The officials also said that he was in Pakistan for the last one and a half months, and had visited Larnaca, Cyprus, where Arab hijackers of another plane are jailed. The Karachi hijackers had demanded a crew for the jumbo so that they could fly to Cyprus to get them released.

One, or possibly two, of Mr Tarakai's accomplices are missing, having fled the Islamabad airport immediately on arrival. But senior police officers denied information from a junior official that one accomplice who escaped at the airport is taking refuge in the Islamabad office of the Palestine Liberation Organisation.

Philippines supreme court orders retrial for Ver

BY SAMUEL SENOREN IN MANILA

THE PHILIPPINE supreme court yesterday ordered Gen Fabian Ver, the former chief of the armed forces, and 25 others to face a new trial for the murder of President Corazon Aquino's husband, Benigno, at Manila Airport in 1983.

In an unprecedented move, the Court declared void the acquittal of Gen Ver's group by a special court late last year on the grounds that deposed President Ferdinand Marcos rigged the trial.

Lawyers of Gen Ver had attempted to block the trial, arguing that their clients would be subjected to double jeopardy.

Instead, the court, whose members were all appointed by Mrs Aquino, upheld the finding of a special commission that Mr Marcos intervened to acquit the supects.

No date has been set for the new court proceedings.

Gen Ver who fled with Mr Marcos to the US in the wake of a military coup in February, will be tried in absentia. The Philippines does not have an extradition treaty with the US.

Mrs Aquino, who rose to power as a result of her husband's assassination, has always maintained that Mr Marcos was behind the murder.

A fact finding body which Mr Marcos formed to investigate the airport murder had indicated that Mr Aquino was shot by one of his military escorts, not by a communist gunman as claimed by Mr Marcos.

The lawyer of the alleged gunman has disclosed that Mr Aquino's escorts were ready to turn state witnesses in the new trial if they could be assured adequate protection by the court.

Most of the soldiers who were indicted for the murder including senior officers are still on active service with the armed forces.

UK NEWS

August inflation steady at 2.4% but rise likely

BY PHILIP STEPHENS, ECONOMIC CORRESPONDENT

BRITAIN'S annual inflation rate held stable at 2.4 per cent in August, but the Government expects the pace of price rises to edge higher in coming months.

The Department of Employment said yesterday its index of retail prices rose by 0.3 per cent last month—the same increase as a year earlier—leaving the annual rate unchanged. August was the eighth consecutive month in which there was no increase in that rate, leaving inflation at its lowest rate for nearly 20 years.

The August figure, however, took no account of the recent sharp rise in petrol prices because the index was calculated just before the major oil companies raised prices. If maintained the average increase of 10p per gallon will add 0.3 per cent to the index in September.

An number of other factors—including expected increases in clothing prices, an end to seasonal fuel discounts, rises in beer, telephone and postal charges already announced—suggest that the fall in the annual rate may have ended.

Figures this week for manufacturers' fuel and raw material costs suggest that industry has received most of the benefit of the weakness of world oil and commodity prices over the past year.

Kenneth Clarke: Pay rises only for better performance

Mr Kenneth Clarke, Paymaster-General, used the new figures to exhort pay bargainers to curb their demands in autumn wage negotiations. When the tax cuts in the Budget were taken into account, the purchasing power of each pound had fallen over the year by little more than 1p, he said.

"This means that no-one really needs a pay increase at all this winter, simply to maintain living standards. Pay rises for any groups should be based solely on better performance and higher productivity, the minister said.

Britain's unit wage costs have been rising much more rapidly than those abroad, which suggests the core, or underlying inflation rate could start to rise again next year.

The present 2.4 per cent rate is higher than that those of all of Britain's partners in the Group of Five industrialised countries, and also above the rate of Belgium and the Netherlands.

The main factors behind the 0.3 per cent rise in prices in August were an unusually large increase for seasonal foods, and higher footwear and clothing prices.

The index stood at 385.9 (January 1974=100) in August, compared to 384.7 in July and 376.7 a year earlier. The tax and price index, which measures the impact of tax and price changes on incomes, was at 122.9 (January 1978=100) in August—0.6 per cent higher than a year earlier.

DTI plans to seek views on cable TV

By Raymond Snoddy

THE Department of Trade and Industry is planning to produce a consultative paper later this year on cable television policy with particular reference to telecommunications.

The study has been triggered by the Peacock Report into the future of UK broadcasting which recommend that British Telecom, Mercury or future entrants to the market should be allowed to act as a national "common carrier" for television and other services on a national cable grid.

According to this proposal organisations such as BT would run the national network but there would be competitive provision of services on the grid. BT would not be able to be a local cable franchise owner as it is at the moment, for instance, in Swindon.

The DTI has asked all cable television companies and organisations such as BT to submit evidence on the Peacock suggestion.

The DTI says it intends to produce a consultative document on cable policy and related aspects of telecommunications policy "in order to take the debate forward."

First signs are that BT would be interested in the vast sums needed to create a national fibre optic grid if it also was able to control the provision of television and telecommunications services on it.

The Cable Authority, the body which regulates the cable industry, yesterday awarded its 22nd franchise—for the Southampton and Eastleigh areas.

The franchise was awarded to Southampton Cable, a consortium of local organisations which includes Pirelli, the tyre manufacturer and personal shareholdings of Sir John Baring, chairman of Baring Brothers, the merchant bank, and Mr Robin Gowlland, chairman of recruitment consultants Egon Zehnder.

Building society lending falls as cash reserves feel pressure

BY NICK BUNKER

BUILDING SOCIETY mortgage lending fell in August. This suggests the societies' home loans boom has passed its peak.

Industry leaders held sharply divided views about the fall. But low receipts from savers and further pressure on societies' cash reserves indicate that some may be short of funds for home loans.

Societies promised £3.3bn to mortgage applicants last month—19 per cent down on the July figure of more than £4bn—according to figures released yesterday by the Building Societies' Association. Gross advances fell from £3.87bn in July to £3.58bn in August—a 7 per cent drop.

This was the first one-month fall in mortgage lending totals since December. It follows record lending by societies this spring and summer.

Net receipts from investors recovered to £452m, compared with £387m in July and £177m in June, but were still far below the £524m of August 1985.

Societies made up for low retail receipts by borrowing a net £540m on the wholesale money markets. Sources included Eurobond issues.

But they also dipped further into their liquid reserves of gilts and other securities, cutting the industry's average liquidity reserves to 16.3 per cent of total assets—down from 16.5 per cent in July.

Mr Mark Boleat, association secretary-general, said the reduction in lending was partly seasonal but also reflected "the diminishing impact on demand of the sharp reduction in mortgage rates earlier in the year."

The Halifax Building Society, the UK's largest, said evidence pointed to a further drop in mortgage demand this autumn.

Other societies, however, rejected such news as too simplistic. TSB Group and National Westminster Bank both said mortgage applications were increasing.

Mr Terry Carroll, finance director of the National and Provincial, the UK's seventh largest society, said the fall in lending was more than seasonal and could reflect excessive mortgage lending early in the year and the relatively low retail receipts. He called the £452m a "very disappointing" figure, in view of the very high interest rates being paid to savers by some societies.

Mr Peter Turley, assistant general manager of the Skipton Building Society, said mortgage lending was now a "confused picture" but some societies could be slackening their lending because of concern about pressure on their liquid reserves.

There have been persistent rumours that some societies have had to reintroduce quotas form ranches so as to limit mortgage lending.

Mr Michael Bridgeman, Chief Registrar of Friendly Societies, the industry's chief watchdog—has warned societies it would be unwise to cut liquidity reserves to less than 15 per cent.

Shake-up at Hill Samuel after loss of contracts

By Clive Wolman

THE UK investment management division of Hill Samuel, the merchant bank, which has lost pension-fund contracts of morethan £1.5bn over the past 18 months, last night announced a shake-up with the appointment of Mr David Baker as managing director.

Mr Barker is chief investment manager of Norwich Union Insurance company and manages £29bn of assets. At the bank he succeeds Mr Neville Bowen who becomes chairman and managing director of the international investment group covering the US and UK markets.

Mr Mark Henderson has been promoted to managing director of the bank's pensions-investment arm.

Hill Samuel, after two years of poor investment performance in 1983-84, has lost a steady stream of pension-fund clients. The biggest loss was last month when it failed to be rewarded a share of British Rail's pension fund which, instead, was divided among six other management houses.

The £1.1bn of the fund which Hill Samuel manages will be reallocated at the end of the year, reducing its total UK pension funds under management by 35 per cent.

However, performance last year slightly above the median has helped to restore the bank's reputation. It recently won contracts to manage money in overseas stock markets. In the US pension-fund market it has won several big contracts in the past two years through semi-independent subsidiaries, including one to manage $1.4bn. Its total assets under management consequently remain high, at more than £8bn.

Steel output down 25.9%

By Lisa Wood

STEEL production in Britain in August, at 202,000 tonnes a week, was 25.9 per cent down on the equivalent period last year and 6.4 per cent less than in July, according to British Steel Corporation figures.

British Steel said that, as in the past four months, overall output was affected by the scheduled relining of the Redcar blast furnace at its Teesside works. This furnace was recommissioned during August.

Output in the first eight months of this year, at an average of 266,500 tonnes a week, was 12.3 per cent less than in the equivalent period last year.

Financial Services Bill warning by Labour

BY PETER RIDDELL, POLITICAL EDITOR

THE GOVERNMENT could not look to the Labour Opposition to guarantee the passage of the Financial Services Bill through Parliament, Mr Bryan Gould, Labour spokesman on City matters, said yesterday. The bill seeks to set up a new framework for regulating City markets. It has completed its committee stage in the Lords and will start its report stage in mid-October.

Mr Gould said Labour was keen to see some regulatory measure on the statute-book but the Government must take responsibility for its own legislation.

He said: "We are broadly supportive of the principles of the bill but we believe that it is seriously deficient in some respects. Our offer to the Government during the Commons committee stage of an agreed compromise on some of the disputed points, such as the status of the Securities and Investment Board, was rejected."

Mr Gould, noting that the Government seemed to be in serious trouble in terms of the parliamentary timetable and the extent of opposition to the bill in the Lords, said Labour had no wish to see the bill fail.

Pact aids BA privatisation plan

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

A THREE-YEAR period of stability in the number of seats that UK and US airlines can offer on the North Atlantic air route, with increases permitted only on the basis of a strictly observed formula, are the main benefits of the Anglo-US air pact signed this week.

The pact, a revision of Annex Two of the Bermuda Two air agreement, was announced on Thursday by Mr John Moore, Transport Secretary. It is seen as opening the way for the impending privatisation of British Airways.

It will ensure that there will be no "capacity war" over the Atlantic, with airlines from either side prevented from offering large quantities of seats to win traffic in what is seen as a growing, but limited, market.

This will enable the airlines to plan ahead. It will help British Airways draw up its privatisation prospectus knowing that it will have a reasonable period of calm in which to generate business.

This is vital, for BA gains about one-quarter of its total revenues of more than £3bn a year from the North Atlantic route. It will help British Caledonian even more, for that airline gets more than 30 per cent of its revenue from its North Atlantic services.

The pact contains two main rules.

The first is that each airline flying between the UK and the US will be entitled to one daily flight each way on the route it serves.

The second is what is called the "150 per cent rule." This provides that on any route where there is already more than one flight each way daily (such as London-New York), the airlines collectively of one country will not be allowed to offer more than 150 per cent of the collective subsonic frequencies of the other country. The supersonic Concorde is excluded as a special case.

This means that where a US airline wants to offer an increase in frequency, that lifts the overall US total above 150 per cent of the collective UK airlines' capacity, the latter will be allowed to counter it, providing that they, in turn, do not then exceed 150 per cent of the US airlines' capacity.

The pact will last for three years, after which it can be renewed automatically. It is subject to 12 months' notice of termination.

Further talks on other aspects — such as the UK's desire for more US destinations, and for rights to operate services internally in the US — will be held later.

But by settling the immediately critical issue of capacity control, the UK feels it has cleared the way for a period of controlled growth on the North Atlantic route enabling its airlines to plan ahead.

THE Spanish Government has given the UK six months' notice of termination of the existing air agreements between the countries.

This will automatically lead to talks over the next few months on a new agreement. Meanwhile, services between the countries will continue.

Spanish discontent with the existing pact has been simmering for some time, based on what it regards as an imbalance of benefits to its own airlines from the large numbers of UK travellers visiting that country, most of them flying on UK-based charter airliners.

Christmas discount on stamps

By David Thomas

THE Post Office is to offer a Christmas discount of 1p on second class mail and is to defer its planned price increases for almost three weeks at a cost of £10m.

But the Post Office is to go ahead with its previously announced decision to raise the price of first and second class mail by 1p, in spite of objections from the Post Office Users National Council, the statutory body representing consumers.

The 1p increase will take effect on October 20, rather than on Ocatbe 1, as the Post Office had previously intended. This postponement will cost the Post Office £7m.

From November 18, 19m Christmas books of second class stamps, containing 300m stamps, will be on sale, offering a discount of 1p per stamp. This discount will cost the Post Office £3m.

The Post Office said that it was able to offer these concessions, because productivity improvements were running at 4.5 per cent and traffic growth at just under 6 per cent in the first few months of the financial year.

However, its half - yearly profits would be lower than in recent years because of the long period of price restraint that preceded its latest increases.

BASE LENDING RATES

	%		%
ABN Bank	10	Equatorial Tst Corp. plc	10
Allied Arab Bank Ltd	10	Exeter Trust Ltd	10½
Allied Dunbar & Co	10	Financial & Gen. Sec	10
Allied Irish Bank	10	First Nat. Fin. Corp	11
American Express Bk	10	First Nat. Sec. Ltd	11
Amro Bank	10	● Robert Fleming & Co	10
Henry Ansbacher	10	Robert Fraser & Ptrs	11
ANZ Banking Group	10	Grindlays Bank	‡10
Associates Cap Corp	10	● Guinness Mahon	10
Banco de Bilbao	10	● Hambros Bank	10
Bank Hapoalim	10	Heritable & Gen. Trust	10
Bank Leumi (UK)	10	● Hill Samuel	§10
Bank Credit & Comm	10	C. Hoare & Co	†10
Bank of Cyprus	10	Hongkong & Shanghai	10
Bank of Ireland	10	Knowsley & Co. Ltd	10½
Bank of India	10	Lloyds Bank	10
Bank of Scotland	10	Mase Westpac Ltd	10
Banque Belge Ltd	10	Meghraj & Sons Ltd	10
Barclays Bank	10	Midland Bank	10
Benchmark Trust Ltd	10	● Morgan Grenfell	10
Beneficial Trust Ltd	11	Mount Credit Corp. Ltd	10
Berliner Bank AG	10	National Bk. of Kuwait	10
Brit. Bk. of Mid. East	10	National Girobank	10
● Brown Shipley	10	National Westminster	10
CL Bank Nederland	10	Northern Bank Ltd	10
Canada Permanent	10	Norwich Gen. Trust	10
Cayzer Ltd	10	PK Finans. Intl (UK)	10½
Cedar Holdings	11	Provincial Trust Ltd	11
● Charterhouse Bank	10	R. Raphael & Sons	10
Citibank NA	10	Roxburghe Guarantee	11
Citibank Savings	¶10.85	Royal Bank of Scotland	10
City Merchants Bank	10	Royal Trust Co. Canada	10
Clydesdale Bank	10	Standard Chartered	10
Comm. Bk. N. East	10	Trustee Savings Bank	10
Consolidated Credits	10	UDT Mortgage Express	¶10.8
Continental Trust Ltd	10	United Bank of Kuwait	10
Co-operative Bank	*10	United Mizrahi Bank	10
The Cyprus Popular Bk	10	Westpac Banking Corp	10
Duncan Lawrie	10	Whiteaway Laidlaw	10½
E. T. Trust	11	Yorkshire Bank	10

● Members of the Accepting Houses Committee. * 7-day deposits 5.69%. 1-month 6.03%. Top Tier—£2,500+ at 3 months' notice 9.72%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 6¼% gross. ¶ Mortgage base rate. § Demand deposit 5.82%. Mortgage 11%.

Cabinet aims to privatise Royal Ordnance shortly

BY LYNTON McLAIN

MR BRYAN BASSETT, chairman of Royal Ordnance, confirmed yesterday that the Government intends the company to "move into the private sector as soon as practicable," with a sale of the whole company. This excludes, however, the Royal Ordnance main battle tank factory at Leeds, which the Ministry of Defence is to sell to Vickers, Britain's only other tank producer.

Advisers to the MoD have started to write to organisations that have shown an interest in buying RO as well as to organisations that the MoD thinks may be interested. An information memorandum is to be sent to interested organisations next month and the sale is expected to raise £150m to £200m.

The export performance of Royal Ordnance declined last year, ahead of the aborted plan by the Government to float its shares on the Stock Exchange this summer, according to the 1985 financial report, published yesterday.

The company has exported a steadily falling proportion of its arms and munitions output over the past four years and last year exported 17.5 per cent of its £487m total turnover.

This compares with the performance in the year to the end of March 1982, when Royal Ordnance factories then operating as a government trading fund, earned almost half its total turnover from exports. Royal Ordnance subsequently relied increasingly on UK orders, the majority of which came from the Ministry of Defence.

Royal Ordnance made a pretax profit of £26m in the year ended December. But profit was just £6m after £20m of extraordinary items, mainly rationalisation provisions. The company paid no corporation tax as a result of the availability of writing-down allowances on the assets acquired from the Royal Ordnance factories' trading fund.

The company also made a £65m provision for liabilities and charges. Part of this relates to the design and technical problems Royal Ordnance has with its Nuthatch rocket motor for the British Aerospace Alarm missile. The rocket has failed to work properly and BAe is considering other rocket motors.

Mr Bassett said in the 1985 report that it was heartening to report the £26m profits in Royal Ordnance's first year as a commercial group, but it was "disappointing that the planned flotation . . . did not take place."

Austin Rover in security drive

AUSTIN ROVER has launched the first phase of a programme to beat car thieves as "a prompt response to government initiatives."

The car security package, which will be available through dealers, puts Austin Rover ahead of other vehicle manufacturers and importers in the UK, the company said yesterday.

Owners of new or used cars will be able to buy a package consisting of registration number etching on all windows using the identicar marking system, a sticker warning potential thieves that the vehicle is protected, and free car hire for up to seven days if a marked car is stolen. The package will have a recommended retail price of £20.

Further security systems will be available

Heron wins bid for Rumasa group property

By David Lawson

HERON INTERNATIONAL, the UK-based property and financial services group, has succeeded in a $78m (£53.4m) bid to the Spanish Government for the properties of the former Rumasa group. It beat nine other companies in the tender for the assets, expropriated by the Spanish Government in 1983.

They comprise more than 200 office buildings in Spain, divided between four property companies in the Inmobiliares Reunidas division of Rumasa. The biggest of the former company's interests is still in the hands of the Spanish Government.

Heron has also paid $30m for the Rumasa Towers, two office blocks in central Madrid, and agreed to invest $222m over the next few years in Spanish real estate operations.

Headed by Mr Gerald Ronson, Heron is the second largest private company in the UK and has extensive property interests in the US, Britain and Spain. When it made the bid, Heron said the property would give it a "unique opportunity to acquire office rental space in Madrid, much in demand after Spain's entry to the EEC."

The Spanish Government took over Rumasa in 1983, saying it was technically bankrupt with $2.6bn in losses. Mr Jose Maria Ruiz-Mateos, the founder and former chairman, faces charges of alleged business irregularities.

SDP 'made mistakes' in policy presentation

BY IVOR OWEN

MRS SHIRLEY WILLIAMS, president of the Social Democratic Party, last night said its policy for helping the poor by merging income tax and social security benefits had been "screwed up" in presentation.

Mrs Williams, addressing a meeting of SDP students on the eve of the party's annual assembly which opens in Harrogate today, emphasised the importance of avoiding similar blunders in the vital preliminary period to the next general election.

She did not blame anyone in the party for the fact that a brilliantly radical document containing proposals for redistribution from the well-off to the poor had been badly presented. "These things can happen," she said.

She said the assembly would show that the row within the party over nuclear defence policy was "essentially behind us."

She maintained there were few areas of difference between the SDP and its Liberal Party partner in the Alliance. There had been an amazingly successful coming together of the two.

● Mr Paddy Ashdown, Liberal MP for Yeovil, yesterday reopened the Alliance controversy over the need for one leader to spearhead the next general election campaign. He hinted strongly that it should be Mr David Steel, his own party chief.

In a new, radical, Liberal quarterly magazine he said a leadership election would be damaging and divisive.

SNP expects to win seven more seats

BY JAMES BUXTON

THE Scottish National Party, which holds two parliamentary seats, yesterday said it was confident of winning seven more in the next general election. It regarded a further 11 Scottish seats as probable wins and 10 more as possible wins.

Its declaration, by party chairman Mr Duncan Wilson, MP for Dundee East, cam ein a well-received keynote speech to the SNP annual conference at Dunoon on the Firth of Clyde.

The party held 11 seats in the 1974-79 parliament when it was at the height of its influence. It has raised its electoral predictions as a result of the favourable showing it made in the May local elections when it won 18 per cent of the vote.

The seven seats the party is confident of winning would be taken from Tory MPs in constituencies where the SNP came second, in several cases narrowly, in the 1983 general elcetion. The further 11 seats regarded as probable wins would be gained from the Labour Party.

Mr Wilson, a lawyer, said his party's aim was to hold the balance of power at Westminster after the next general election, which he expected would produce a hung parilament.

The party, with the two seats it already holds, would have nine seats, to which would be added seats won by Plaid Cymru, the Welsh Nationalist Party, with which the SNP recently formed an alliance..

The SNP would insist, as the price of support for a Labour government or a Labour-Alliance coalition, on parliament passing a bill to create a convention or elected assembly in Scotland that would devise a *form of constitutional autonomy* for Scotland.

A recent opinion poll by Gallup for The Daily Telegraph showed that only 13 per cent of Scots were satisfied with the present system of government for Scotland, compared with 33 per cent in 1979, the year in which the bill devolving power on a Scottish assembly failed.

Of those dissatisfied, 22 per cent wanted total independence for Scotland and the remainder favoured differing degrees of authority for a Scottish parliament.

Coal body in jobs project

BY IAN HAMILTON FAZEY, NORTHERN CORRESPONDENT

BRITISH Coal Enterprise, the body set up to help create new jobs in pit closure areas, is to put £916,000 into the first British innovation centre at Barnsley, South Yorkshire.

The centre—described by Mr Tony Hewitt of British Coal Enterprise as the high technology equivalent of a managed workshop—will nurture new businesses which are pioneering innovative products and services.

It will be one of at least 10 of a similar type in Britain and will be part of a European network of 60, all partly funded by the European Community. They will be linked electronically to help interchange of ideas, joint ventures, technology transfers and venture capital brokerage for the high fliers.

In launching its centre, Barnsley Borough Council has narrowly beaten Cheshire County Counciil, which is planning something similar at Widnes, backed by ICI and British Nuclear Fuels, both big local employers.

The Barnsley Business and Innovation Centre will cost £750,000 to build and will contain eight small suites for new, high technology businesses. There will be centralised computing and secretarial services. Funding will come from the European Community, British Coal Enterprise and the local authority.

Running costs are expected to be £2m over five years, with half from Europe, one-third from British Coal and other support from Barclays, NatWest and the Co-operative Bank.

Unemployment in Barnsley is 21 per cent, rising to 25 per cent around the five pits that have closed in the past five years with the loss of 5,000 jobs. South Yorkshire as a whole has lost one-third of the 45,000 mining jobs it had in 1981.

Mr Hewitt said that the centre was unlikely to provide jobs directly for many redundant miners. He believes that its role will be to build a new structure of local employment for miners' children. The centre's hopes are for 500 jobs by 1991.

The prototypes for the venture are a centre in the Aston University Science Park in Birmingham and a similar one in Berlin.

European Comunity funds to establish the innovation centre network stand at about £65m. At present help can only be given in assisted areas, though there is a growing belief that European capital cities ought to to have similar centres too.

Brewery jobs to be lost

ABOUT 20 jobs are to be lost at the Redruth brewery of J. A. Devenish, the West Country brewer which merged with Inn Leisure, a fast-growing operator of pubs and wine bars, earlier this year.

Devenish said yesterday that since the merger with Inn Leisure there had been a review of the business. It added: "This review has resulted in a clear *strategy for the future and* determined the action required to improve current profitability and set the base for future expansion, with emphasis on major developments in the retail sector."

Over the past two years about £1.5m has been invested in the Redruth brewery, to be renamed the Cornish Brewery Company,

Opera centre proposed

BY ROBIN REEVES, WELSH CORRESPONDENT

PROPOSALS for a performing arts centre in Cardiff to house the Welsh National Opera and provide improved facilities, for permanent and touring theatre companies, were unveiled by the Welsh Arts Council yesterday.

Mr Matthew Prichard, WAC's chairman, warned that without it, key performers and even the prestigious *WNO company* itself might be tempted to move elsewhere.

The centre will cost between £27m and £31m for an auditorium seating at least 1,600 with full Wagnerian orchestra and a second auditorium and related facilities.

But the public subsidy requirement on revenue would be no more than £450,000 ave[illegible] according to a feasibility study by theatre consultants Carr and Angier of Bath, on which the Welsh Arts Council has based its proposals.

The council hopes that either city or county authorities in Cardiff will make the necessary investment with the backing of the Welsh Office.

Four possible sites have been shortlisted for the centre, which could open in seven years. They include two in Cardiff's docklands which is the subject of radical redevelopment plans.

The Welsh Council is to talk with the Welsh Office and local authorities to get an early decision on the next stage of the project—the commission[illegible] of a £42,000 design brief[illegible]

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UK NEWS

Entrepreneurs 'misunderstand' funding options

BY WILLIAM DAWKINS

LOAN and equity finance for small UK businesses is in good supply, but many entrepreneurs do not properly understand or are dissatisfied with the conditions under which funding is available.

Those are the main conclusions of a survey of 400 small, fast growing electronic companies published yesterday by the National Economic Development Council's committee on finance for industry.

"Many managers of smaller companies do not appreciate the variety of equity instruments and sources," says the study, compiled with Coopers & Lybrand, the accountants.

They do not know who to approach in order to achieve an appropriate deal, nor do they have the experience to conduct negotiations satisfactorily."

External funding of some form comes out as a prerequisite for expansion in the survey, which was confined to companies showing more than 25 per cent annual sales growth.

Three-quarters of the respondents had tapped outside sources of capital. But the authors say that the high level of dissatisfaction they showed — about 40 per cent — is disturbing because "the forms and terms of finance available are likely to influence ... performance."

The council criticises the venture capital community for failing to publicise itself more widely and in more detail.

"Venture capitalists could do a lot more to explain their activities to assist small businessmen to assess the different kinds of finance available," said Mr Michael Brech, head of the council's finance for industry section.

The report calls on small businesses to plan financial requirements well ahead and to use professional advice in seeking funding. Too many businesses, it says, relied on just one source of finance only to find themselves in a weak negotiating position when it came to fixing terms.

The council also calls on the Government to ensure grant applications are processed fast and to take note of the difficulties facing businessmen trying to raise under £100,000 in equity capital.

The council is sponsoring a series of workshops to help high growth ventures overcome the problems outlined in its report. The first, which is being organised with Coopers and Lybrand and Pearce Associates, the small business consultants, takes place in Box Hill, Surrey, from November 21 to 23. Details from Chris Bolton, Coopers and Lybrand, Plumtree Court, London.

Finance for Growth: A study of small and medium-sized firms in the electronics sector, £3.50 from NEDO Books, Millbank Tower, London, SW1P 4QX.

Estate agency broker plan

BY DAVID LAWSON

A CHAIN of brokers operating from small estate agent offices across Britain is being planned by a subsidiary of Mercantile House, the financial services group.

Strict rules under the Financial Services Bill mean it is unlikely that ordinary estate agency staff would be authorised from next year to give financial advice unless they became tied to one finance company. Small agents face having to pass on a vital part of their income to authorised brokers.

Heritage Personal Finance, set up by Mercantile House through its subsidiary Alexanders Laing & Cruickshank, is proposing a way around the restrictions by a partnership which would instal an authorised broker in each main office.

The average five-office agency is expected to produce £62,500 commission a year on the sale of 500 houses of which the agent would collect £18,750.

Mr Duncan Christie-Miller, managing director of Heritage, said he expected to have 15 to 20 brokers in action by the end of the year.

Toys 'R' Us to open three more superstores

By Christopher Parkes, Consumer Industries Editor

Toys "R" US, the US retailer which sells toys and children's products in stores the size of aircraft hangers, is to open three more outlets in the UK early next month.

One-acre superstores in Southampton, Birmingham and Brent Cross in North London will each be stocked with more than 1m products in good time for the Christmas peak selling season.

Mr David Rurka, managing director, said yesterday that the group was expanding as quickly as it could find sites and build the stores.

It aimed to open a further 30 or 40 in the next two to three years.

The company launched its attack on the fragmented British toy market a year ago with five stores in Basildon, Wood Green, Woking, Bristol and Cardiff.

The eight UK outlets cover 360,000 sq ft and will employ 1,600.

Toys "R" Us is also poised to move into the Continent, but management is vague about its plans, promising only one store in West Germany some time in the next 18 months.

The group has about 300 outlets which sell $2bn worth of toys, clothes, pushchairs, car seats, books, cots and nappies a year. It claims a 15 per cent share of the US toy market.

It relies on its wide range to keep up store traffic all the year round. As well as the novelty of its floor-to-ceiling displays, the attractions include car parking, low prices and unconditional refund guarantees.

Its merchandising style is also unusual in that it aims to stock as wide a range of products as can be fitted in the space available.

Mr Rurka said: "Most retailers have buyers who prejudge product ranges, cherry-picking lines which they think will sell. In Toys "R" Us, we leave the choice to the consumer."

Electronic point-of-sale systems at the checkouts quickly tell store managers which lines are selling and slow movers can be replaced with more popular items.

Wristwatch pager venture for Plessey

BY TERRY DODSWORTH IN NEW YORK

PLESSEY, the UK electronics group, is collaborating in a US venture to develop a revolutionary wrist watch that would contain a telephone paging device.

The paging system, designed by a three-year-old San Francisco company, AT & E, is expected to go on trial early next year, with a target for a commercial launch about 12 months later.

"We have demonstrated the technology using prototypes in the US and are satisfied that it works," said Mr Scott Wilson, chief financial officer of AT & E, yesterday. "It is now a question of miniaturisation using Plessey's semi-conductor technology."

Mr Wilson claimed that AT & E is the first company in the world to develop workable technology for wristwatch communications.

Plessey's role is to produce two, custom-built integrated circuits for receiving the transmitted messages and processing them into a visual form to be displayed on the watch face. The UK company has refused so far to give details of its products, but Mr Wilson said bipolar technology would be used for the receiver and a CMOS circuit for the processing.

The wristwatch receiver, as planned by AT & E, will only be able to receive messages, which will have to be quite short—a request to ring the office for example.

AT & E claims, however, that the system will represent a significant advance on current paging devices. The receiver, packaged in a standard wristwatch, should cost less than $100 (£68), and is designed to receive messages from anywhere.

Apart from the semi-conductor technology, AT & E, which is quoted on the NASDAQ over-the-counter exchange in the US, believes that it has solved the two main problems that have been delaying development of the wristwatch device.

The first of these is the transmission of the messages, which AT & T will achieve via free space on standard FM local radio wave bands. The company claims to have signed up several US radio stations and says that, with an investment of about $50m, it should be able to ensure complete coverage of the US.

Second, it has found a way to power the receiver to accept messages, using a normal battery, thus keeping down the size of the wristwatches. To achieve this, the receiving device will be switched on only for very brief periods.

Highlands fabrication yard plan threatened by inquiry

BY LUCY KELLAWAY

A PLAN to build a fabrication yard serving the offshore oil industry which would create more than 100 jobs could be abandoned following the outcome of a public inquiry to be held later this month.

The planned site is at Tain in the Scottish Highlands on Ministry of Defence land at a disused bombing range. However, the land has been designated a Site of Special Scientific Interest and a public inquiry has been set up after lobbying from the Nature Conservation Council and the Royal Society for the Protection of Birds.

If the inquiry rules against siting the yard there, it is unlikely that Land and Marine, a subsidiary of Costain, would look for an alternative. The company plans to invest about £2m in the scheme.

The yard is intended to produce special pipes for linking marginal fields, or satellites of producing fields, into existing platforms. Even when oil prices are low, there is a demand for such pipes.

The plan to build a yard is in contrast to a string of yard closures and redundancies since the collapse of the oil price.

● The Grampian Regional Council yesterday claimed that the picture for employment in the area was less gloomy than recent reports had suggested. Over the next two years, it forecasts the loss of 5,000 oil jobs — about a third of the figure predicted last week by Mr Frank Doran, prospective Labour candidate for Aberdeen South.

APPOINTMENTS

Treasurer of Hanson Trust

Mr Paul Spencer has been appointed treasurer of HANSON TRUST from September 15. He was with Rolls-Royce as group treasurer.

★

LAWSON MARDON has appointed Mr David Taylor as operations director of Fibrenyle. He was factory services manager.

★

Mr Mark Richardson has been appointed financial director of TWYFORD PLANT LABORATORIES, part of the Twyford International Group. He was financial controller.

★

Mr John G. W. Lee has been appointed deputy chairman of HAWKER SIDDELEY DYNAMICS ENGINEERING. He will be succeeded as managing director by Mr Tom J. Buckle, director and general manager of the marine systems division.

★

Mr Christopher Savory has been appointed director of marketing of CAMBRIDGE LIFE SCIENCES. He was general manager of the diagnostics division of Roche Products.

★

PLESSEY has appointed Mr Roger Boardman as marketing director of its total telecommunications group. He was formerly director of sales for Plessey Network and Office Systems.

★

Mr Mark Springett has been appointed commercial director of MIRROR GROUP NEWSPAPERS (1986). He joins next month from Alberto-Culver where he was marketing director—Europe.

★

Mr George Martin has been appointed chairman of PLEASURAMA following Mr N. Solomon's decision to retire on December 31 to concentrate on his other business interests. Mr Solomon remains a non-executive director until that date.

★

Mr J. Hugh Jones will be retiring as chairman and chief executive of LONDON SHOP PROPERTY TRUST at the annual meeting on October 23. Mr John H. Bushell will be appointed chairman and chief executive from that date and Mr Jones will remain on the board as non-executive vice chairman. Mr Bushell has been a director of London Shop since January 1982 and was appointed executive vice chairman in June 1985. He was previously a director of J. Henry Schroder Wagg and Co.

★

Mr Paul Thimont has been appointed financial controller of ENGLISH & OVERSEAS PROPERTIES, a Pentos subsidiary. He was group chief accountant with Pentos, and rejoins the group after several years experience in the corporate finance and investment fields.

★

Mr Peter Robinson has been appointed managing director of ASH & LACY PERFORATORS, Birmingham. He joins from IMI.

★

Mr Peter A. Jeffreys has been appointed managing director of BALTIC TRUST MANAGERS, a division of Nevi Baltic, as part of a revamp of its unit trust group. He was a director at Fidelity International Management.

★

Mr Ian Eastwood has been appointed managing director of THE CONSUMER CONNECTION. He takes over from Mr Stephen Wells, who now becomes managing director of the newly formed Connexions Group of which TCC and The Forum are the first two subsidiaries.

★

At CHUBB ALARMS former operations director Mr Richard Fernie is promoted to director in charge and former Midlands regional manager Mr John Burgess leaves his Birmingham base to join the headquarters team at Walton-on-Thames as sales director.

★

C. & J. CLARK has appointed Mr Lawrence Tindale and Mr Robert Morison as directors. Mr Tindale becomes chairman from September 19. He is deputy chairman of Investors in Industry Group and a director of other companies. Mr Morison is a senior partner in KMG Thompson McLintock London. Mr Tindale takes over the chairmanship from Mr Daniel Clark who has been chairman since 1974.

★

Mr Peter Goodall has retired as executive chairman of HEPWORTH CERAMIC HOLDINGS, and has been succeeded by Professor Roland Smith, who has been deputy chairman since last January.

★

The CO-OPERATIVE INSURANCE SOCIETY has appointed Mr Chris Hirst as deputy chief investment manager. Mr Howard Davies, Mr John Franks and Mr Brian Wilson have been appointed investment managers.

ECONOMIC DIARY

TODAY: SDP conference opens, Harrogate (until September 17).

TOMORROW: Department for National Savings August progress report. Soviet and American policymakers begin week's talks on superpower relations, Riga. International trade fair opens, Zagreb (until September 21).

MONDAY: August provisional figures for retail sales. Mr Dilson Funaro, Brazilian Finance Minister, meets Mr Nigel Lawson, Chancellor of the Exchequer. Conservative Party launches blue rosette fund raising scheme. Metropolitan and City Fraud Squad statement on City fraud statistics. EEC Agriculture Ministers start two-day meeting, Brussels. EEC Foreign Ministers start two-day meeting (sanctions against South Africa to be finalised), Brussels. Arab League Foreign Ministers meet, Tunis. Mr Shimon Peres, Israeli Prime Minister, meets President Reagan, Washington. French Budget. New round of multilateral trade talks opens — GATT, Punta del Este, Uruguay (until September 20). EEC Energy Ministers informal meeting, Broadway, Worcs. (to September 16).

TUESDAY: August public sector borrowing requirement. Dutch budget. Mrs Margaret Thatcher attends Anglo-German summit, Bonn. UN general assembly session opens. EEC Foreign Ministers meet Turkish delegation.

WEDNESDAY: July index of output of the production industries. G-10 Deputy Finance Ministers meet to discuss international monetary co-operation and debt issues, Paris. IMF annual report expected, Washington. Swiss Bankers' Association statement. EEC economic and social committee three-day plenary session opens, Brussels. Financial Services Exhibition opens, Barbican Centre (until September 19). Council of Europe Assembly, Strasbourg. President Corazon Aquino of the Philippines meets President Reagan, Washington.

THURSDAY: Labour market statistics: unemployment and unfilled vacancies (August provisional); average earnings indices (July provisional); employment, hours, productivity and unit wage costs; industrial disputes. London sterling certificates of deposit for July. CBI/FT survey of distributive trades to end August. UK banks' assets and liabilities and the money stock (mid-August). Second quarter revised figures of capital expenditure by the manufacturing and service industries. Hong Kong Government's mid-term economic report. Sixth round of US-Soviet arms talks, Geneva. Anglo-Spanish talks on Gibraltar resume, Madrid. Disarmament conference ends, Stockholm.

FRIDAY: Second quarter provisional figures for gross domestic product. EEC Finance Ministers start two-day informal meeting, Gleneagles. Mr George Shultz, US Secretary of State, meets Soviet Foreign Minister Mr Eduard Shevardnadze to prepare superpower summit, Washington.

Civil servants in merger moves by moderate unions

BY HELEN HAGUE, LABOUR STAFF

LEADERS of the Institution of Professional Civil Servants (IPCS) are playing a key role in moves to create a dominant centre-right union within the TUC.

The drive to explore the ground for creation of a union outnumbering the 1.4m-strong Transport and General Workers Union surfaced during the TUC Congress in Brighton earlier this month.

Representatives of EETPU, the electricians union, the Amalgamated Engineering Union, the building workers' Ucatt, and Apex, the white-collar union, were reported to have attended the talks.

A confidential document reveals the involvement of the institution's leadership. Project Union 2000 outlines the aims of the proposed organisation.

The document takes the form of a letter, which has yet to be endorsed by the executives of the four unions leading the initiative — the IPCS, EETPU, AEU and Ucatt.

It invites other unions to participate (without commitment) in drawing up plans for a new union in which no union would be taken over by another.

It argues that members would benefit from the creation of a powerful new union the objectives, policies, organisation and services of which would be designed for and attuned to the needs of the next century.

The document states that the organisation would aim to sweep away the "demeaning distinctions in status based on the traditional out-of-date blue and white collar divide."

The organisation would aim to span the building, manufacturing and service industries in the public and private sectors.

Architects of the blueprint acknowledge the project's ambition. Seeking to invite other unions to participate, the letter stresses that the first task will be to elaborate aims and objectives.

A foundation committee of general secretaries of the unions already involved is being established.

Apex, represented at the Brighton talks but not named as a signatory on the draft letter, will be among the first unions invited to join the initiative.

Mr Roy Grantham, the union's general secretary, has a mandate from his executive to hold merger discussions with three unions. But he would need the endorsement of his executive before sanctioning Apex involvement in Project 2000.

Prospects of teacher salary deal improve

BY DAVID BRINDLE, LABOUR CORRESPONDENT

PROSPECTS OF the Government funding the proposed radically revised salary structure for teachers in England and Wales rose yesterday when local-authority leaders met Mr Kenneth Baker, Education Secretary.

Mr John Pearman, who leads the local-authority negotiators, said after the meeting: "It is my impression that if we can deliver what the deal implies, he will recommend it to the Cabinet."

The meeting was the first formal contact between the employers and the Government since the deal on salary structure and employment contracts was agreed in outline at talks in Coventry in July. Ministers have said little about the chances of funding.

In a statement issued later yesterday Mr Baker repeated the long-standing offer of up to £450m a year extra in funding — a cumulative £1.25bn over four years — but added: "The Government's response will depend on how well the final overall outcome matches the Government's objectives."

The Coventry agreement, still being negotiated in detail, has been costed at a cumulative £2.9m over five years. The final bill is certain to be even higher when outstanding service — conditions issues are settled.

What the employers yesterday regarded as important and encouraging was not what Mr Baker did say — which was relatively neutral and low-key — but what he did not. Although he did not enthuse about the deal neither did he criticise it severely.

In his statement he said: "I am very glad that there are prospects of normal and uninterrupted school work ahead. This is very important for the well-being of children and their families, and the quality of education."

According to Mr Pearman the minister had remarked in the meeting that he was "at great pains to keep the negotiating train on the rails." Both said there had been broad agreement that there was much detailed work left to do on the deal.

Later yesterday a meeting of representatives of all 104 education authorities endorsed their negotiators' progress so far, though some speakers supported reservations expressed by Mr Baker about the interim agreement reached last week on the issue of teachers covering for absent colleagues.

Top civil servants to vote on setting up political fund

BY OUR LABOUR CORRESPONDENT

MEMBERS of the First Division Association, the union for senior civil servants, are to take part over the next few weeks in a ballot on whether the union should prepare to set up a political fund.

The ballot, to be followed by similar votes by other Civil Service Unions, is expected to cause controversy at a time when the impartiality of high-ranking civil servants and their relations with ministers are issues of keen debate.

The Government is fiercely opposed to Whitehall unions having political funds, regardless of whether they are used to affiliate to the Labour Party. The FDA is making it clear it has no plans for such affiliation.

However, a ballot held earlier this year by the Inland Revenue Staff Federation produced a majority of almost 82 per cent in favour of the union becoming the first Civil Service union for 60 years to have a political fund.

The ballot of the First Division Association' 7,600 members was called for by the union's conference in May. The union's executive committee had not wanted to hold a vote so soon but its counter-proposal to discuss the issue at the 1987 conference was defeated.

The ballot paper, approved this week by the executive for distribution, poses the question: "Do you want the association to take the necessary steps to establish a political fund?" It then presents lengthy arguments for and against, with no recommendation.

If there is a majority vote in favour, the FDA will draw up the necessary rule changes for approval by the Certification Officer, who oversees union affairs on the Government's behalf. They would then go to next year's FDA conference, after which there would be a further membership ballot.

The main argument in favour of a political fund is that the re-definition of "political objects" in the Trade Union Act 1948 could lead to legal challenge of a union's expenditure from its general fund on campaigns against government policy.

Ministers dispute this, contending that only party political expenditure could be so challenged. They believe the argument is a red herring, but concede it was used successfully by the 37 unions which all voted to keep existing political funds under terms of the Act.

Adjournment for Paxman talks

BY OUR LABOUR STAFF

TALKS have been adjourned after two days in moves to settle a long-running dispute at Paxman Diesels, a GEC subsidiary in Colchester, Essex, where the 625 manual workers have been locked out since June 25.

The talks, instigated by the company, are due to resume next Friday. Two senior union negotiators are said to be unable to attend again until then.

In a statement yesterday, Paxman said: "Both the company and the trade unions agree that the talks so far have been constructive and both parties in the dispute have expressed a commitment to reach a settlement as quickly as possible."

● Workers at General Motors plants staged a half-day strike yesterday, the second in a threatened series of walkouts to press for improvements in pension benefits.

The strike involved Bedford truck workers at the company's Dunstable, Bedfordshire, and Luton plants.

UDM issues writ over pensions

By Our Labour Staff

PRESSURE mounted on British Coal yesterday when the breakaway Union of Democratic Mineworkers issued a writ to try to stop an increase in its members' pension contributions.

The union maintained that the proposed increase—from 5.25 per cent of earnings to 5.75 per cent—was to make up part of the shortfall in the pension fund, caused by the year-long strike by the National Union of Mineworkers, in which very few of the men who later became UDM members took part. z

Mr Roy Lynk, UDM general secretary, said of the increase: "It was totally unexpected and totally unacceptable. We are not letting our members pay an extra half per cent for a strike we took no part in."

British Coal denied the increase had anything to do with the strike. The higher contribution had been recommended by actuaries because the present rate was no longer adequate to give new entrants to the fund the present scale of benefits, its said.

However, the UDM's suspicions have been raised by the fact that miners' contributions, amounting to £60m, were lost during the strike and that only an estimated £25m will be recouped by British Coal's plan not to backdate fully the pay award announced this week.

NUM seeks to challenge Haslam on wages

BY CHARLES LEADBEATER, LABOUR STAFF

THE NATIONAL Union of Mineworkers yesterday decided to seek an urgent meeting with Sir Robert Haslam, chairman of British Coal, to press him to revise the pay award he announced on Monday.

It is worth about £8 a week and was backdated to September 3 for most members of the NUM. Members of the breakaway Union of Democratic Mineworkers will have their pay increase fully backdated to November 1985.

The NUM executive, meeting yesterday, decided to approach British Coal for talks, before discussing whether to take national industrial action over the pay issue.

Mr Arthur Scargill, NUM president, said the area delegates had reported growing anger at the award. However, the executive had decided to see whether Sir Robert was prepared to negotiate.

"There is a great deal of anger being generated as a result of what the coal board has done. The fact of clear discrimination has upet all members of the NUM. I feel it would be in the best interests of everyone in this industry for Sir Robert Haslam to meet the full national executive committee as quickly as possible to negotiate a settlement," Mr Scargill said.

It is understood that no moves were made at the meeting yesterday to recommend national industrial action, along the lines of the ban on overtime coal production that has been in force in South Wales for six weeks.

The National Union of Mineworkers is to challenge the joint TUC-Labour Party policy on industrial relations law at the Labour Party conference starting this month. But the union's executive made clear that it does not want to risk provoking a row between Mr Arthur Scargill, union president, and Mr Neil Kinnock, Labour Party leader.

The executive agreed to put forward an amendment that calls on a future Labour government not to pass legislation which would require unions to hold secret ballots before strike action were called.

A similar amendment, which Mr Scargill planned to move at the TUC last week, was withdrawn after the union's delegation opposed the move.

The support yesterday for Mr Scargill's position came with two strings attached. He has been banned from speaking if the NUM amendment is grouped with other amendments critical of the TUC-Labour approach. If the amendment were to stand on its own, the conference delegation would meet to reconsider the union's position.

Most executive members believe the union should wait till after a meeting with Sir Robert before it assesses what action to take. The executive will hold a special meeting on September 25 to consider British Coal's response to their criticisms of the award.

The NUM is due to meet management on September 23 to discuss proposals to establish a new conciliation procedure.

However, several areas will vote next week on industrial action. The 1,100 Durham colliery mechanics will vote on Monday on whether to start a series of lightening one-day strikes. This would affect maintenance work on coal faces. The area's 8,200 miners are also due to vote on whether to impose an overtime ban

Representatives of 47,000 miners in Yorkshire will vote, at an area council meeting on Monday, on proposed one-day strikes. Pit meetings will be held in Lancashire at the weekend to mandate delegates to an area conference on September 20, which will vote on an overtime ban.

Mr Scargill said that an early meeting with British Coal was essential to clarify other issues raised by Sir Robert's announcement on Monday. The NUM plans to press the chairman to relax his position that some miners who were sacked during the 1984-85 strike cannot be reinstated. The two sides are also due to discuss proposals to set up a conciliation system on industrial disputes.

NUM leaders are angry that British Coal proposals give national and area officials only a limited role. The proposed conciliation system, which does not include a role for an indpendent assessor, would operate on a pit-by-pit basis.

Arthur Scargill: Anger over "discrimination"

Managers' pay 'rising at 7.7%'

By Our Labour Correspondent

SALARY INCREASES for company managers and other senior staff are running at an average 7.7 per cent, only marginally down on last year, according to a survey.

The analysis of top pay trends in 110 organisations says that in spite of the fall in inflation to 2.4 per cent, most employers are maintaing relatively high settlements to stay competitive in the salary market.

This is likely to be used in evidence by union negotiators in the coming wage round, should employers respond explicitly to the Government's exhortations to reduce pay settlements.

The survey, a quarterly review by the Top Pay Unit of Incomes Data Services, the pay research group, looks at executive pay awards in 56 manufacturing companies, 44 service sector companies and 10 public sector companies.

The average 7.7 per cent increase (7.4 per cent in the case of merit-only reviews) compares with 8 per cent for the same period last year and with 7.9 per cent for the previous quarter this year.

Awards to individual staff members in the private sector were as high as 25 per cent.

IDS Top Pay Unit Review 67; IDS, 193, St John Street, London, EC1V 4LS; by subscription.

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What went up comes down

THE real question about the New York and Tokyo stock markets is not why they have fallen so sharply in the last couple of days, but why they rose so far before they fell; the contrast between a dazzling market performance and a lacklustre, problem-ridden real economy had become familiar, but was still illogical. Indeed, on any realistic assessment of Japanese profit prospects and American adjustment problems, the market still seems to reflect a lot of wishful thinking.

London, where prices have fallen about twice as far from their peak as in New York, prices and yields look more defensible on purely economic grounds; but in the UK political uncertainty must become a growing factor from now on. Investors usually take more notice of such unpleasant facts when prices are falling than when they are rising.

Adjustment

If markets were rational, then it would seem reasonable to describe the fall this week as an adjustment to reality — an adjustment which may still be incomplete—rather than to hope that it is simply a pause for breath. In the real world, though, markets are driven by a combination of emotion and money, with reason a very poor third; and they do not merely reflect economic prospects, but can influence them. The rise and the turn therefore require a shot at rather deeper analysis.

Some observers have been expecting something much worse than this week's shake-out for a long time—for so long that little notice is now taken of their warnings. They point to a tense world situation and to the intractable problems of poor debtor countries, but above all to the runaway growth of borrowing inside the US (and, to a lesser extent, in the UK) to support their claim that neither the market's rise nor the long, slow economic recovery looks sustainable. The more dramatic warnings have for a text drawn parallels with the credit-financed stock market boom and subsequent crash of 1929.

The fact is that, as pot-boiling novelists have long known, you can make quite a different story by shuffling the same plot cards and arranging them in a different order; and although some of the same problems of excessive debt, weak commodity prices and even of bank failures can be identified, there seems no chance at all of history repeating itself. The scale of the market boom has been much less, and so present values are not nearly so vulnerable; but above all the monetary climate is totally different.

While in 1929 the crash seems to have found the world's central banks, especially in the US, almost entirely unprepared, so that there was a systematic collapse, they have on this occasion been acutely aware of potential crisis for at least four years. Indeed, it is the efforts of the world's bankers, led very actively by the Fed, to manage this crisis which have ironically helped to drive markets up. Aggressive reserve expansion, designed to enable the banks to trade their way out of their imprudent lending of the 1970s, has fuelled the consumer credit boom of recent years.

It is impossible, though central bankers would often wish it otherwise, to limit financial support just to the problem cases. The third world borrowers, and the US Federal and trade deficits must be financed; but the credit so created winds up in the hands of the credit-worthy.

The Japanese stock market boom has been financed by the money earned through a vast trade surplus—the counterpart of the US deficit internationally, but of corporate and private Japanese saving as well. Similar stories can be told of West Germany, the industrialising countries of the Far East, and even to some extent of Britain; the whole world financial system has been inflated with money printed by the Fed to buy time for the US economy and for its banking system.

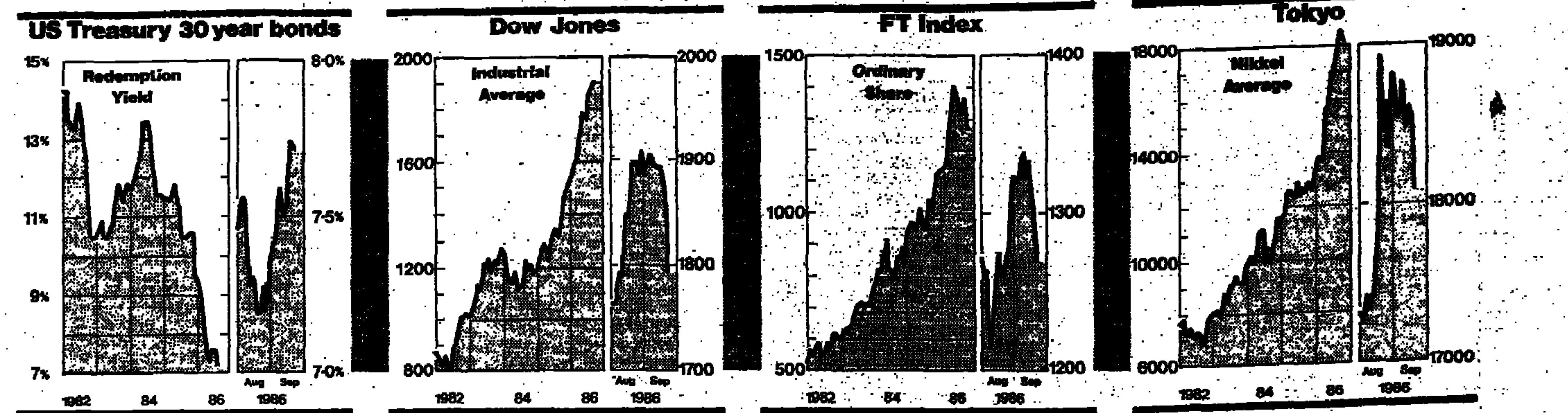
This has been a measured rather than a runaway expansion; that is why real interest rates have remained so high. But it has been sustained for four solid years, and must be sustained for some time yet. The chances of an outright credit collapse on 1929 lines do not look interesting.

Disruptive

There are two clear dangers, however. The first is the implied threat to the dollar. It is just because the US has been the most important centre of money creation that the dollar has been so weak. It is the danger that a further collapse could prove disruptive which makes the monetary policy debate between the US and the surplus countries so tense. It will be an urgent task for the ministers and officials meeting in Washington at the IMF gathering in two weeks to find some path between the risks of inflation and those of disruption.

The other danger concerns consumer borrowing. This has risen in the English-speaking countries to historically high levels in relation to income; but it is secured against buoyant security and property values. Too sudden a correction could actually deflate credit-financed demand quite suddenly, and so start a deflationary spiral. Investors may be wishing for a sharp recovery; policymakers might prefer stock and property markets as boringly undramatic as the real economy.

WALL STREET'S WORST DAY FOR 25 YEARS



The paradoxes amid the panic

By Anatole Kaletsky in New York

THERE WAS a time when people used to say, especially of course on Wall Street, that what was good for the stock market was good for the US economy and the average working man. In fact, the movements of the New York Stock Exchange still form a part of the "index of leading indicators" which is officially used by the US Government to forecast economic growth rates in the months ahead.

On a day like Thursday, when Wall Street collapsed quite suddenly by an astounding 4.6 per cent in record trading, such faith in the oracular powers of the stock market must have seemed amusingly quaint to the few traders who were swift enough to save their assets from the bloodbath.

For the many investors who were caught completely off guard — the thunderbolt struck just a week after the market had scaled new heights in quietly confident trading which seemed to the majority of analysts to augur well for the weeks ahead — the notion that Wall Street's collective wisdom still reflects some superhuman insight into the country's economic destiny is beginning to sound more than a mere sick joke.

Even for people involved in the stock market, the way that financial psychology has seemingly parted company from economic reality makes the story of Thursday's rout both fascinating and important. For the immediate cause of the worst one-day fall for 25 years on Wall Street—a fall which was mirrored to greater or lesser degree on other markets around the world—has been a perceived *improvement* in the prospects for economic growth in America and the rest of the world.

What first set the "sells" programmes going on Thursday was a rumour that retail sales growth in August had been much stronger than previously expected. The actual figures were announced yesterday and were only marginally stronger than for the previous few months—entirely because of the surge in car sales which has resulted from Detroit's desperate efforts to move its unsold stocks. What really mattered in the markets, however, was not the precise figure, but the ease with which a panic could be induced by the slightest indications of a stronger economy.

Analysts were virtually unanimous in diagnosing the market's problem — equity investors were terrified that a sharp resurgence of economic expansion would put a stop to the four-year decline in interest rates and inflation which has been powering the bull market since 1982.

On the fact on things, such fears might have seemed reasonable enough, if it were not for two paradoxes.

First there is the fact that nothing has really changed in the economic prospects since a week ago, when the stock market leapt to a new high on September 4. Only a few days ago it seemed that equities had managed to uncouple themselves from the bond market's perennial fears of inflation and accelerating economic growth. In fact, the strengthening of oil prices after the recent Opec agreement was cited by equity investors as a major reason for bullishness, since the weakness of the US oil sector had been the biggest dampening factor on economic growth in the last six months. For a while it almost seemed as if Sheikh Yamani of Saudi Arabia had supplanted the Federal Reserve Board's Mr Paul Volcker as the hero of the hour on Wall Street. Why then did equity investors suddenly fall back under the spell of the bond market, which had been falling steadily for the past three weeks?

This question becomes more relevant because of the second paradox about the market's behaviour. What has suddenly frightened investors is not some massive surge of output in an economy which was already overheating. Until the recent slight improvement in the economic indicators, the US economy was actually teetering on the brink of recession with a dismal growth rate of only 0.6 per cent in the second quarter. To say, therefore, that the equity market fears rapid growth and high inflation is hardly accurate. The truth is more bizarre — at first blush, at least, it seems that the markets have been panicked by the fear that there is no recession on the horizon.

Almost any reasonable reading of recent economic indicators seems to suggest that the markets have little to fear in the way of resurgent inflation or overheated economic growth. Most economic forecasters expect GNP growth to continue ambling along in the present 2 to 3 per cent range for the rest of this year and into 1987—those economists who disagree with this consensus are virtually unanimous in expecting slower, not faster growth.

And while inflation is universally expected to accelerate from the negligible levels of 1 or 2 per cent recorded in the last few months, as the effects of higher oil prices and a lower dollar make themselves felt, there is no evidence to suggest inflation rates above 4 per cent or so in the next year or two.

Even 4 per cent inflation may be too high for a bond market where yields on long-dated Treasury bonds had been falling towards the 7 per cent mark. To justify yields as low as that, a further twist of disinflation or even an actual recession might have been required. Thus the sharp reversal in the bond market in recent weeks as fears of recession receded aroused no particular consternation—analysts disagreed among themselves on whether inflation and the economy were actually picking up speed, but everyone could see why the bond market was falling as the possibility of a recession receded.

The behaviour of the equity market is another matter entirely. Traditionally, equity markets thrive on the kind of steady growth with moderate inflation which most US forecasters are expecting. Why then have equity investors so abruptly lost their nerve?

The easiest answer is that perhaps they haven't.

There are plenty of analysts still willing to argue that the long-term bull market which began four years ago is far from over and that the upward trend will reassert itself once the current shakeout is over. The market had been rising almost vertically throughout the first half of this year and, while the peak which was hit on September 4 was widely regarded as reasonably soundly based, many analysts who can now see in retrospect that the market was severely overbought and due for a sharp correction on purely technical grounds.

These technical problems have been enormously magnified by a factor which has in the last few months come to dominate market gossip — the so-called "programme trading," in which huge blocks of shares, sometimes worth hundreds of millions of dollars are bought and sold automatically by computers with little or no human intervention. Some market analysts report that as much as 40 per cent of Thursday's record trading was set off by these computer programmes — and according to Mr Allen Sinai, chief economist of Shearson Lehman, such programme trading has at least doubled the fall in the market during the last two days.

The way these programmes operate might have been specially designed to amplify the fluctuations in the market, which in turn transform small changes in sentiment or economic fundamentals into all-out booms or routs. In simple terms, the programmes aim to generate a small, risk-free return for large institutional investors by taking advantage of small divergences in prices between the stock market itself and the futures and options contracts which are traded in enormous volumes, particularly in Chicago.

The simplest such trades are pure insurance operations, in which a pension fund might, for example, sell futures contracts when it perceives the market is falling in order to protect the value of its underlying investment portfolio. As the market falls, the value of the corresponding futures contract rises and compensates the pension fund for its underlying equity losses. In the process, however, a selling panic may have been set off in the futures markets which finds its way back into Wall Street.

A more important and sophisticated form of programme trading arises from the small turn which institutions can make by selling futures contracts on the Standard and Poors 500 index and simultaneously buying the actual shares which that index represents. The institution faces no risk, whether the market rises or falls, since in a falling market the value of its futures contracts will increase sufficiently to compensate for the loss on its underlying stock portfolio. The gain from such a trade arises because there is a small differential between the price received for the futures contract and the price paid for the underlying stocks. This differential is normally slightly higher than the rate on risk-free US Treasury bills and many institutions, from pension funds to savings and loan associations, regard programme trades as a useful way of boosting the returns on their surplus cash by ½ of a percentage point or so.

However, trouble can come if equities start falling. When this happens, the futures market often tends to fall slightly faster than the stock market itself. As a result, the institutions which indulge in programme trading can increase their profits by buying back their futures contracts and selling the corresponding shares from their portfolios at the same time.

If, in the coming week, the market rebounds to anywhere near its levels before the Thursday sell-off, the programme traders are obviously going to have a serious case to answer and the whole episode on Thursday may be seen as a salutary lesson in the dangers of growing financial inventiveness.

Pressure will certainly mount on the Securities and Exchange Commission to investigate the programme traders' activities with a view to curbing the market's excessive volatility, for there can be little doubt that swings of the kind seen on Thursday will deter small private investors from getting involved in the market.

But even if the market does rebound and stabilise in the near future—and certainly if it continues to display its recent manic-depression—it would be too complacent to dismiss Thursday's collapse as a mere technical problem.

For in its obscure Delphic way, Wall Street may after all be telling the world something serious and disconcerting.

These long-term worries can be summarised as four interconnected factors:

- The upward swing of the US and world economic cycle will come to an end sooner or later. Fears of recession may have been premature this year, but eventually a recession will take place. When it does, it could be greatly complicated by the two other structural problems.
- The next recession could be much more serious than currently expected because of the enormous growth of the Federal Government's budget deficit, which seems to be *continuing* unchecked.
- An even more ominous problem, particularly from the stock market's standpoint, has been the growth of private debt in the US economy. Through leveraged buy-outs and takeovers and equity retirements, the US corporate sector's debt has grown to unprecedented levels, while its creditworthiness has declined.
- Finally, the markets may be responding to an even more disquieting notion which is gradually seeping into investors' consciousness. *The failure of the falling dollar to restore the health of US exporting industries and to reverse the tide of manufactured imports may not be a temporary phenomenon.*

But there is a sneaking suspicion that this will not happen.

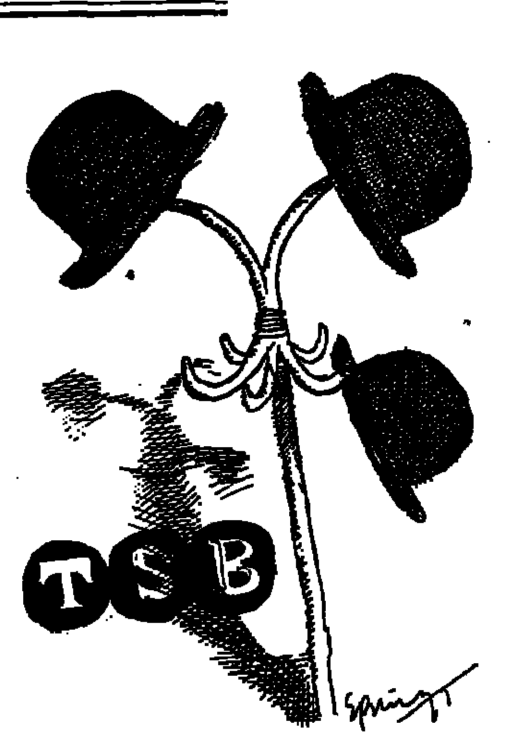
Of course, a few months of disastrous trade figures accompanied by a plunging stock-market can tell us very little about such long-term trends, which have arguably been under way for many years and even decades. But if the market's short-term sentiment really has turned, investors may have to brace themselves for painful soul-searching and hiterto unsuspected gloom.

Men in the News

TSB's top team

Into a thrifty future

By David Lascelles



SIR JOHN READ will be at the Albert Hall tonight singing "Rule Britannia" at the last night of the Proms — and no doubt with gusto. The Trustee *Savings Bank of which he is* chairman was finally launched into the market yesterday after a tempestuous controversy about its ownership delayed the even by eight months.

But in many ways the task has only just begun. Sir John and his men will shortly have a cool £1.27bn clinking in their pockets — an awesome prospect for an institution born in Britain's grass roots and bred in the best traditions of northern thrift. Are they the types who will invest this immense sum wisely and, biblical fashion, reap the rewards of their talents? Or will they sqaunder it, or wose still, just bury it?

All through the run-up to the flotation, Sir John, a man of peppery good humour, has refused to be drawn on these sorts of questions, which touch on the TSB's most secret strategies. And yesterday he would only say that he was "*not going* to dash out and spend it."

But no one expects the TSB to go on a reckless spending spree. The three men most concerned with managing its new riches have varied, but solid, backgrounds in business, finance and banking, and their attitudes are etched deep with prudence. They are Sir John himself, Philip Charlton, the group managing director, and Derek Stevens, the finance director.

Sir John looks the natural *head of the trio.* Aged 68, he is a tall, commanding figure with brushed-down silvery hair and an expression that suggests slight irritation with all around him. But his manner is genial —as it has had to be in his role as ambassador for the UK's largest-ever bank flotation.

He has a financial qualification: he is a chartered accountant. But he is best known as a former captain of industry when he ran the EMI Group in the 1970s in the days of the ill-fated body scanner which, after initial success brought the group into big trouble. He took on the chairmanship of the TSB in 1980 expecting it to occupy only half his working week. *Instead, he found himself thrust* into the hurly burly which is now reaching its climax, with TSB taking up all his time. There have been "many frustrations" he admits on the "long hard road" which finally ended yesterday, not least when the Scottish lobby managed to hold the flotation up in the courts. "But I was determined *to see this through.* The TSB has to change." He will be staying on another two years to complete the task.

One of his top priorities has been to beef up the TSB's management for its new role: this he has done by hiring experienced bankers from the clearers and elsewhere, and drawing on Lazards, his merchant bankers.

"We have some very professional people. But we will not hesitate to seek outside advice," he said yesterday recognising the criticism that the TSB is still a bit thin on top. "A lot of the money will be spent internally on technology and so on. And we have also said that *we may make acquisitions.*"

But though Sir Pohn speaks fiercely in support of the TSB, he is an outsider to the group compared to Philip Charlton who joined the Chester branch *as a clerk at the tender age of* 16. (His father, evidently doubtful of his son's talents, reputedly exclaimed "God help the bank!") Now 56, Charlton is a chubby, hearty man who exemplifies the strong management culture that runs through this sprawling group with its 1,600 branches, most of them away *from the south east.* The pre-flotation advertising has focused on a generous distribution of bowler hats to "ordinary" TSB customers.

He wants a strong, unified TSB. But he still remembers the days when it was fragmented into 73 tiny local banks which cared for the precious savings of small communities.

"Every November 20, we used to count up the year's interest on the accounts. The next day people would come in with their passbooks. Some of them came in with 12 books—the accounts *of a whole family.* We're the only bank like that, and that history has gone on." He paused reflectively: "Nowadays, people think that queues are a sign of a badly run bank. It was never like that at the TSB. Queues were a sign of success. We're a bit like a pub in that respect."

Charlton rejects the idea that individuals who buy TSB *shares will sell out to big in*vestors, leaving the TSB controlled by faceless institutions like other banks. "Our customers will hand their shares on to their children. I'm certain *of that, especially in the north.*"

While Charlton, and the eight divisional managers under him, will be the people who ultimately spend the £1.27bn, the job of husbanding the resources falls to Derek Stevens, the most "City-oriented" of the TSB's top team. Fluent, precise, this 47-year-old accountant was trained at business school in Berkeley, *California, and has followed* a wide career through management consultancy, accountancy, Shell and finally UDT, the finance company bought by the TSB in 1981.

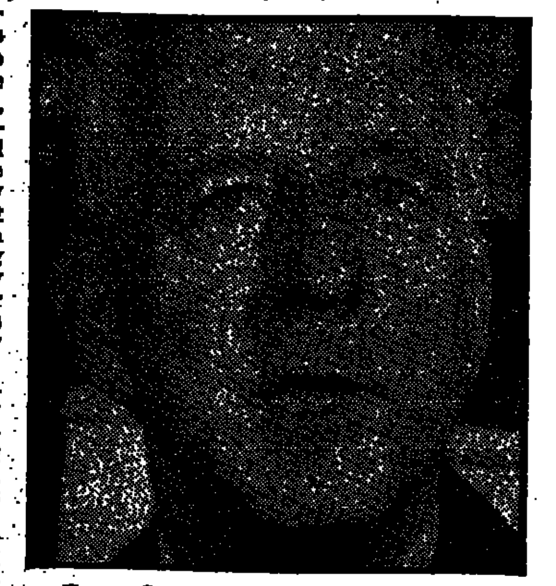
Stevens has been putting together the planning and control systems to ensure that the group gets the most it prudently can from its money. This *means making complicated* calculations about yields and maturities which have entailed 16-hour days in the run-up to the flotation. But he too warns against expecting a big splash.

"If we bought something tomorrow, we'd probably pay too much and have trouble integrating it into the business. We also want to buy well-managed businesses because we don't have a surfeit of good management in the TSB."

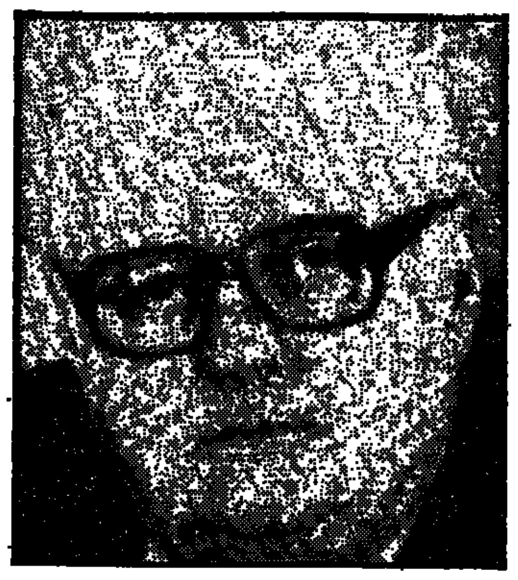
The launch could, of course, have happened at a more auspicious moment, given the collapse of Wall Street on Thursday. But maybe the very provinciality which some people say could hamper the TSB will come to its aid. Comments *Charlton:* "*The groundswell* behind the flotation is fantastic. Our customers don't know Wall Street from Tokyo. All that they think is that we are their bank."

Many ways to win the board game

The Guinness and Allegheny rows have re-opened a debate about the powers of non-executive directors, reports Terry Dodsworth



Ernest Saunders: dual role at Guinness



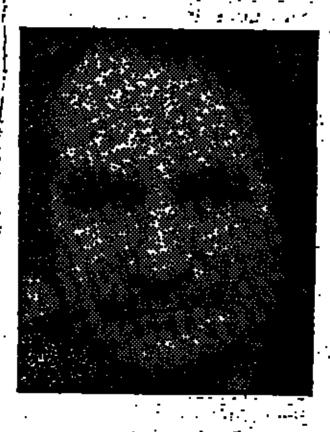
Robert Buckley: forced out at Allegheny

"A BOARD of directors' meeting is mostly a one-way line of communication. Management does 90 to 95 per cent of the talking. Outside board members, who are not part of the management, sit there and listen; then they go to lunch, and after that they go home and open the envelope that contains the fee."

Thus Mr Harold Geneen, looking back over 17 years of empire building at ITT, sums up the functioning of the average American boardroom. It is a typically trenchant and sceptical view from a man who admits that he himself brooked little opposition from his board—that "archaic, creaking contraption"—during his years of tycoonery.

Yet as recent events on both sides of the Atlantic have shown, Mr Geneen was raising a genuine issue—the question of the authority of the board against a powerful and determined chief executive.

The criticisms that have been directed over the past few weeks at the chairmen of both Guinness in the UK and Allegheny International in the US have demonstrated just how easy it is for a strong executive



'If the chairman is not performing, the only people who can remove him are the non-executives'

—SIR JOHN HARVEY-JONES

to dominate the officers around him. Even after a furious row, Mr Ernest Saunders at Guinness remains chairman and chief executive with only a minor dilution of his role; and at Allegheny it required shareholder law suits against the directors to bring about the downfall of Mr Robert Buckley, accused of hyper-extravagance and grave incompetence.

It is equally plausible to argue, however, that the prominence given to these two cases—and previously in the UK to the sackings and top executive reshuffles at Thorn-EMI, Beecham and STC—demonstrates an increasing and healthy concern over the role of the board. Indeed, many senior executives contend that the efforts that have been directed towards improving boardroom performance by bringing in more and better qualified non-executive directors over the last 10 years are now beginning to bear fruit.

"We had some heated arguments among the board at BL," says Sir Michael Edwardes, the former chairman and chief executive of the car group, whom no one could describe as a push-over in verbal combat. Sir Ian MacGregor, the former British Steel and Coal Board chairman who sat as a non-executive director on Sir Michael's board at BL, agrees: "The board had some strong personalities and we frequently got into hassles with Edwardes," he says. "On some occasions our views ran a little counter to the general assessment of the executives."

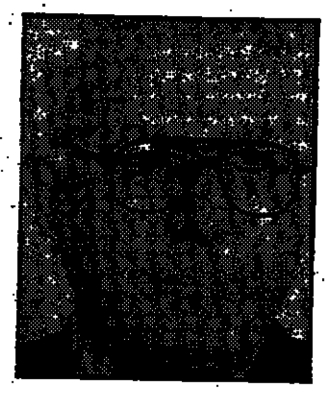
The boardroom dynamics described by Sir Michael and Sir Ian have become a widely recognised ideal among today's generation of business leaders. For them, the board is a place where they, as senior executives in charge of their companies, can test their ideas and finalise strategy with their peers. They do not expect their boards to be push-overs. They anticipate arguments. They say that to try to run roughshod over the opinions of fellow directors would be anathema to them.

Equally, as non-executive directors of other company boards, they expect to have their say. Sir Michael says he cannot imagine staying silent throughout a meeting. He comments on everything unless his view coincides exactly with that of another executive. The job of non-executive director, he adds, is to speak with "absolute, outspoken frankness." It is best for non-executives to be chairmen of their own companies with the stature "to stand up and take an independent view."

This notion of the board as a kind of collegiate body where operational managers test their ideas on independent executives who face similar problems has evolved steadily in the UK over the past 25 years or so. Various pressures have contributed to the change—the patent underperformance of British industry, the feeling that the ailments of the UK corporate sector derived partly from the old-boy network where a boardroom job was regarded as a sinecure, and the brief but intense debate over whether the country should adopt a legalised two-tier boardroom framework, with an independent non-executive body monitoring the performance of executives.

The upshot of this debate has been a typical British compromise — no legislation, no change in the visible form of the board, but a steady evolution.

The new generation of top UK managers is in broad agreement about the functioning of



'The idea of a part-time chairman goes back to the days when management was a leisurely job'

—SIR IAN MacGREGOR

today's "unitary" boards. They should, the argument goes, have a sufficient number of non-executives to counter-balance the executive directors; these non-executives should be truly independent practising businessmen rather than "merchant bankers looking for a fee" as one director puts it; and the board should discuss broad strategic issues where the narrow views of operational management can be leavened with the wider vision of experienced executives.

The degree of the changes, helped along by some determined prodding from the Bank of England, is evident from the steady expansion in the numbers of non-executive directors. According to a Bank study, 60 per cent of the boards of the UK's largest companies had three or more non-executives last year, against less than 50 per cent in 1979. By 1985, only 6 per cent of the top companies had no non-executives at all, compared with 14 per cent six years earlier.

The strength of the non-executive contingent on a board has come to be regarded as crucial because of its role in monitoring management. Non-executives are the main line of defence against executive incompetence, incipient megalomania and improper use of company funds. Indeed, Sir John Harvey-Jones, the ICI chairman, believes that in certain areas the function of non-executives has been virtually institutionalised in the leading British companies.

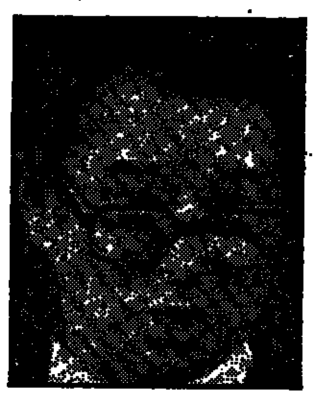
There is "absolute consensus," he says, that the independent directors set top salaries, a "very broad view" that the non-executives should form an audit committee (a requirement of the New York Stock Exchange since 1978), and "unusual clarity of view that if the chairman is not performing the only people who can remove him are the non-executives." Sir Michael Edwardes goes further. Independent directors, he says, have a "kind of prerogative" which in a sense "overrules the full board because they in effect hire and fire the chairman and chief executive."

Yet despite the enthusiasm for these changes, have independent directors as yet produced anything more than cosmetic improvements in the majority of UK companies? At one level, in the hiring and firing of senior managers, non-executives have begun to flex their muscles of late. It is hard to find an independent director who does not claim that he has been involved at some point in getting rid of one of his peers, or, equally important, blocking the promotion of a manager who he thought would not be up to the job.

Away from these heavily publicised occasions of crisis management, however, it is much more difficult to establish a balance sheet for boardroom reform. The contribution of a non-executive in the average company is not directly quantifiable, and the evidence is almost entirely anecdotal.

The first point that emerges is that the old-boy network, while in retreat, is by no means dead. "I sat on one board with a very senior industrialist who had been brought on as a non-executive and never said a word in three years," says the chairman of one large British engineering group. "It was impossible to know whether he had any ideas or not."

This same executive also believes that far too many outside directors are, as he puts it, "suborned" into effectively losing their independence by accepting consulting contracts and other fee income. "I have been offered £25,000 to sit on a board," he says, "because they thought that would be the price of my support. I declined." The ideal, most executives argue, are



'The job of a non-executive director is to speak with absolute, outspoken frankness'

—SIR MICHAEL EDWARDES

fees in the £5,000 to £15,000 a year range which fairly repay the amount of work non-executives are expected to perform, but which represent the only financial links with the company.

Second, non-executives are only effective in non-operational strategic management to the extent that they are kept informed about their company. Mr Allan Sheppard, a director of the Grand Metropolitan hotels and food group, says that the quality of papers handed out to non-executives these days is improving, but that he has had "to demand better stuff." Ideally, say executives, papers should go out a week in advance, giving independent directors at least half a day at the weekend to get to grips with the issues. Many companies now make special arrangements for their non-executives — ICI, for example, has rearranged its board meeting schedules so that its three overseas outside directors, who include the Japanese chairman of Toshiba, can attend more easily.

Third, the frequent combination of the positions of chairman and chief executive makes life for independent directors doubly difficult. On this issue, illustrated in the wrangle over Guinness, there is no consensus whatsoever—a reflection of the opposing needs in joint stock companies for strong leadership and equally full accountability to shareholders.

Opinions on how to structure companies to accommodate these conflicts run the full gamut, from Mr Geneen's view that no executives should be allowed to sit on the board, to Sir Ian MacGregor's contention that the two jobs inevitably go together in modern corporations because of the intense concentration of resources demanded in top management today.

"The idea of a part-time chairman," he says, "goes back to the days when management was a leisurely job in the UK, and the chairman could come in and read the papers for two days a week and feel that he had a grasp of the job."

Between these two extremes there is, of course, a middle way—the notion that in times of crisis the two jobs should be run together, but that in normal periods they can be split. At TI Group, Mr Ronald Utiger has recently engineered exactly such a split after piloting the company through two tough years, staying on as full-time chairman in a strategic role divorced from day-to-day management.

Many independent directors say that it is virtually impossible to establish a general principle to govern the roles of the chairman and chief executive. If the executive is strong and confident enough, they contend, he will be able to take criticism and respond accordingly. Sir John Harvey-Jones, who combines the two jobs himself, says that ICI has changed course entirely in several cases when faced with opposition from the independent directors. He cites one case in which he and his executive team were shown to be entirely wrong by subsequent events.

Even so, there are many cases where non-executive directors have proved powerless against an ambitious executive. A chairman and chief executive, as Mr Geneen points out, is not only running the company but also running the board and when the crunch comes it requires an enormous degree of sheer cussedness and determination to stand up against that kind of power base.

There is a story about Mr George Steinbrenner, the overbearing majority owner of the

'Outside board members sit there and listen; after that they go home and open the envelope that contains the fee'

—Mr HAROLD GENEEN

New York Yankees baseball team, which illustrates the problem very well. One of the other minority limited partners in the team was once asked what it was like to work with the Yankee boss. "There is nothing in life," he replied, "that is more limited than being a limited partner of Mr Steinbrenner."

Letters to the Editor

Opportunity at Leyland

From Mr M. Whiffin

Sir,—With the announcement by General Motors of its intention to withdraw from medium and heavy truck production in the UK, there is surely an opportunity for a far-sighted government to strengthen Leyland Truck's position.

Cannot funds be made available so that the Bedford range is assimilated into production at Leyland in Lancashire?

The capacity is readily available and it would stop 6,000 vehicles being replaced by foreign imports, probably to the sole advantage of Volvo and Daimler-Benz. Will Mr Paul Channon, the Industry and Trade Secretary, and Mr Graham Day, Rover's chairman, get together as a matter of urgency?

M. B. Whiffin.
29 Brattle Wood,
Sevenoaks, Kent.

From the Chairman,
Davenport Vernon Holdings

Sir,—The funeral at Bedford Trucks extends the pathetic tragedy of the decline and fall of British industry—so how many more have to go down before it dawns on this Government that high interest rates are poison to manufacturers?

Why are our politicians and their advisers blind to the consequences of high interest rates which, above all, depress demand but also raise costs, and futilely keep up the pound's exchange rate to encourage imports and depress exports.

For goodness sake, how can they be so stupid not to see what they are doing?

Ralph Denne.
London Road,
High Wycombe, Bucks.

Non-executive pool of women

From the chairperson,
Fawcett Society

Sir,—John Chudley wants to know where non-executive directors are to come from (September 9). Why does he, as well as most of the upper echelons of British industry, continue to ignore the 52 per cent of our population which is female? There is a wealth of talented, experienced and capable women who would make excellent non-executive directors, but because they do not eat at the same clubs or play golf with the right people, they are not chosen.

It is clear, from reading the lists of appointments in the FT, that specific and detailed experience within a particular industry is not always required. Good general executive capabilities, together perhaps with experience in the voluntary sector, public relations or Whitehall, is equally appropriate.

Now that most women work for most of their lives, there are many who have acquired this training. Women are often also direct consumers of the goods and services that industry produces, and so can provide an additional, often overlooked, perspective.

We frequently hear the pathetic excuse that "the company would willingly appoint women, but we don't know (or there aren't) any suitable ones." The Fawcett Society has recently compiled a list of women suitable for non-executive directorships, and we will be pleased to help any organisation genuinely seeking to extend the range of experience on its board.

Margaret Joachim.
46 Harleyford Rd, SE11

Redistributing wealth

From Mr S. J. P. Williamson.

Sir,—How refreshing to read a thoroughly radical view on tax and benefits from Mr A. Bond (September 9). One addition I would propose to these reforms is to change the tax system from one which produces diminishing returns for effort to one which actually provides an incentive to earn more.

Thus, just as Mr Bond suggests a national minimum income as of right, there should also be a level at which every income earner is regarded as having provided enough contribution towards the state and can start enjoying an increasing proportion of the fruits of his labours.

In my view this produces at least three advantages:

1—It encourages endeavour and productivity.

2—It removes the necessity to pay "staggeringly high salaries" in order to reward employees properly.

3—It creates more money to be spent on leisure, home improvements and — dare one suggest it—domestic staff, thus providing more employment on a formal and regulated basis.

This, surely, is the way to ensure redistribution of wealth—and allow those who have the wit to create it to have more say in how it should be distributed; on a *pro rata* basis.

Simon Williamson,
Broom House, Church Street,
Broadway, Worcs.

A loutish slur on health workers

From Ms V. Cichy.

Sir,—In his review of, "The Maintenance Man" (September 3) B. A. Young states that "Miss Penhaligon is a practising physiotherapist, which perhaps accounts for her agreeing to go to bed with Bob before they have even kissed." The reported tedium of this play is no excuse for such an offensive remark concerning members of the third largest health care profession in the National Health Service.

In a predominantly female profession, which by the nature of its practice has close physical contact with patients, one tends to become used to loutish and silly schoolboy jokes. However to find one such remark in the Financial Times is an unpleasant shock.

Victoria Cichy.
Chartered Society
of Physiotherapy,
14 Bedford Row, WC1.

Bloodhounds on the wrong scent

From Mr R. Apsion

Sir,—Mr John Griffiths (September 5) repeats the ill-informed slander, popular in the tabloid press for 13 years, that officers of H M Customs & Excise hound the self-employed.

I don't know if Mr Griffiths is a crusty old don, fuddled with high-table port, or a jokey student, but he chooses to be insulting, without first-hand knowledge.

Customs officers (there are no "VAT inspectors") use the powers authorised by Parliament only when absolutely necessary.

A recent example of Mr Griffiths' "hard workers striving to uphold the fabric of our economy" was the gang who ripped us all off for millions of pounds in the great krugerrand swindle. If Customs had no powers, they could not have cracked it.

Robert Apsion.
17 Ganghill,
Guildford, Surrey.

Cost-effectiveness of nuclear power

From Mrs C. Grigg

Sir,—Julian Taylor (September 8) argues with impeccable logic that, after Chernobyl, arguments on the percentage costs of various reactor types are now "beside the point."

Shareholders since Three Mile Island must budget for insurance premiums against accidents 20 times the size of Hiroshima as part of running costs. The American accident scene remains radio-active after seven years and over $1bn "down the drain."

To find the means safely to remove each reactor will keep workers in the industry employed for years. This also must be put on the bill, when comparing nuclear power costs with other sources.

Will any actuarially-minded reader please estimate the size of premiums now demanded? These must be included in realistic appraisal of Sizewell's cost-effectiveness compared with coal and/or natural energy sources.

As one who studied with excitement the wonderful new opportunities for mankind offered by nuclear physicists, it is painful for me to find that industry now, with letterpress printers, facing redundancy. Some of my most promising class at college are among them.

Both Three Mile Island and Chernobyl were brought about by that most "uninsurable against" of chances, "the human factor." With logic equal to Mr Taylor's, I suggest that to bother whether one reactor is 10 per cent safer than another is equally beside the point.

Catriona Grigg.
2 Rydal Grove,
Helsby, via Warrington,
Cheshire.

For securitisation, read disintermediation

From Mr J. D. Lobrano

Sir,—Anthony Harris correctly identified a significant development in the financial markets in Lombard (September 5) when he stated that borrowers are increasingly circumventing commercial banks and approaching the capital markets directly to achieve lower costs of funds. However, this development is more frequently and accurately characterised as "disintermediation" in the light of the removal of commercial banks as mediators in the capital markets, rather than "securitisation" as Mr Harris suggests.

Securitisation usually refers to a different phenomenon whereby debt instruments such as mortgages or car loans are repackaged and used as collateral for securities which are issued to investors.

John Lobrano.
99 Bishopsgate, EC2.

Life policies and overdrafts

From the Director, Centre for Actuarial Statistics

Sir,—Yesterday I was startled to get a letter from my bank manager. It said: "Your suggestion with regard to operating a continuing overdraft facility based on the surrender value of the life policy is not an acceptable course of action . . ."

Are all banks now as reluctant as the Midland Bank to lend on the security of life policies?

Patrick Carroll.
35 Canonbury Road, N1.

Tilting trains across the Channel

From Mr G. W. Ashton

Sir,—The penultimate paragraph of the interesting article (September 8) on the possible revival of the tilting train prompts me to wonder how British Rail can envisage the intermixing of high speed passenger trains with freight trains loaded with heavy lorries. The speed of all trains through the Channel Tunnel can surely be no faster than the slowest and this would mean that the passenger trains would be quite unable to compete with air travel to cities in Western Europe.

This would seem to make nonsense of the scheme to transport heavy lorries on the back of trains through the tunnel and makes it obvious that the best way to get these vehicles across the Channel is on boats, using the present quite efficient system. The Channel Tunnel could then be reserved for high speed passenger trains, including those which carry both passengers and their cars using the Motorail system. These cars could be loaded on the trains at the existing Motorail terminals throughout the UK.

Many acres of loading area will be needed for the proposed scheme. That would seem to indicate that there will be extensive delays to lorry traffic using the piggy-back scheme and enormous environmental damage to Kent. The tunnel entrance, per se, will cause no more environmental damage than any other of the hundreds of railway tunnels in the UK.

I look forward to travelling by rail on through-trains to Europe instead of having to make my laborious way to London Airport, but I certainly will not bother if my trains are held up by slow-moving freight traffic, making the total journey time even longer.

George Ashton.
Wallace Cottage, Ash,
near Sevenoaks, Kent.

UK COMPANY NEWS

Agreed bid for Good Relations

BY ALICE RAWSTHORN

Lowe Howard-Spink & Bell, international advertising agency, is making an agreed offer, worth £13.7m, for Good Relations, the largest public relations consultancy in the UK.

Good Relations has been clouded by controversy since the resignation of its deputy chairman, Ms Maureen Smith, last August. Ms Smith was censured by a Stock Exchange inquiry into her sale of shares prior to departure. After her resignation a succession of senior employees have left the consultancy.

The company has been the subject of bid speculation since last August. According to Mr Tony Good, the chairman, Good Relations has received a number of bid approaches, but discussions began with Lowe—which has been a client for two years—last week.

Lowe, advised by Henry Ansbacher, is making an offer for Good Relations, advised by Hill Samuel, of two Lowe shares for every five shares in Good Relations or a cash alternative of 145p. Good Relations' share price rose by 15p to 148p—compared with its peak of 285p before Ms Smith's departure—yesterday.

When the acquisition is completed Good Relations will form the base of a new Lowe subsidiary—Lowe Bell Communications—of which Mr Tim Bell, Lowe's chief executive, will be chairman and Mr Good, vice-chairman. The communications group will operate alongside Lowe Marschalk, the advertising agency, within Lowe Howard-Spink & Bell.

"We always intended to add a full range of communications services to our base as an international agency," said Mr Frank Lowe, the eponymous chairman.

"In the longer term we envisage adding design, packaging and sponsorship services to the communications group and we intend to expand internationally."

Mr Low and Mr Geoffrey Howard-Spink, a fellow main board director, have arranged to dispose of 121,500 shares in Lowe at 370p a share, through the company's brokers, James Capel. After the disposal Mr Lowe and Mr Howard-Spink's shareholdings will be reduced to 7.9 and 5 per cent respectively.

See Lex

Addison Consultancy rises 34% halfway

Addison Consultancy Group, the fast-growing advertising agency and public relations consultant, formerly known as Addison Page Chetwynd Streets, lifted pre-tax profits by 34 per cent in the first half of 1986, from £2.1m to £2.8m. The comparisons have been prepared on a merger accounting basis.

Mr Julian Broad, the chairman, said the first half had been a period of great change and exciting expansion. The merger of Chetwynd Streets with Addison Page was followed with the acquisition of Taylor Nelson Group, a privately-owned market research agency, and the company was at present seeking shareholders' permission for a further acquisition, AIDCOM International.

The chairman added that the activity was directed to building a substantial communications and management consultancy group offering a wide range of complementary and associated specialist services, both in the UK and internationally.

The level of activity during the six months had been high, with turnover 37 per cent ahead at £38.35m (£27.99m), and since June 30 group performance had been encouraging, he stated. The directors looked forward to the outcome for the second half with confidence.

They are lifting the interim dividend from 0.7143p to 0.8p, to be paid from increased earnings of 4.18p (2.93p) per 5p share.

Tax rose to £1.13m (£977,000).

● comment

There's never a dull moment with any people business — especially one that increases its staff from 600 to over 1,600 in one year as Addison Consultancy will do if shareholders approve the Aidcom acquisition. The year is likely to be dominated by the sorting out of some of the people problems that even merger accounting cannot reach. As any consultancy grows it constantly runs up against the motivation/scale problem — two years ago chief executive Steve Smith believed that 50 employees was the outer limit for a design and PR company, today the sky's the limit. But then Good Relations was trading on a multiple of 40 times earnings and getting rich quick through a listing or being bought up was all the vogue. Now the climate has shifted and account executives have to try to leap over substantive management hurdles while the market seems to feel that multiples in the upper teens are more appropriate. This year Addison should make £6.3m, which has the shares at 118p trading on a prospective multiple of 13¼; next year's expected £10m has the stock on a forward looking p/e of 10½ — surely a far too modest rating. News on a few defections will break soon and could rattle the financial PR side but as this is only 5 per cent of overall profits the real danger is possibly that top management will ignore those below who still feel that staying small and lean is a virtue.

Lyle Shipping down sharply to £313,000

A FURTHER decline in the bulk shipping market helped push pre-tax profits at Lyle Shipping down from £4.77m to £313,000 in the half year to June 1986.

Mr Calum A. MacLeod, the chairman of the Glasgow-based company which owns, charters and manages ships, yesterday said that operating profits from shipping declined to little more than break-even levels, and after charging interest and depreciation, losses from that source reached £3.4m (£1.88m). He doubted whether the second half would show any significant improvement.

Turnover for the period fell from £10.14m to £6.39m, and the pre-tax result was struck after group finance profit of £217,000 (£293,000). There were also exchange gains and provisions of £3.46m (£3.71m), which were once again responsible for the overall attributable profit.

The chairman pointed out, however, that the exchange surplus had no immediate cash flow impact, and as the group's vessels were dollar denominated assets, the improvement in the position regarding its US dollar indebtedness had to be seen against the reduction in the sterling value of the fleet.

As a result of the decline in the market, the group was again in default with its secured lenders. However, the directors felt it was not in the interests of lenders or shareholders to dispose of tonnage at present, and believed that working capital for trading would continue to be provided.

There was again no tax, and after minorities of £94,000 last time, earnings per share came through at 0.5p (11.3p).

● comment

Exchange rate gains on foreign loans continue to give Lyle Shipping's results a cosmetic gloss which would be utterly misleading were it not for the frankness of the chairman's accompanying statement. Nor is the balance sheet an accurate guide to the parlous state of its finances: by any realistic market valuation of the group's vessels, shareholder's funds would by now be in very substantial deficit. The two years of grace provided by Lyle's lenders are now drawing to a close, but it might yet be too soon to assume that the group is to be put out of its misery: bulk shipping rates, though still bad, are a little less appalling than they were, and with vessel values now perceived as more likely to rise than fall, the creditors may well hold off for a while in the hope of realising greater gains from vessel sales. Meanwhile a miracle might always happen and the five-year recession in shipping rates could end. More realistically, Lyle at 7p remains a penny stock at the mercy of well-nigh insuperable obstacles.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, The Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Friday September 12 1986 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1986 to date	Thurs Sept 11 Index No.	Weds Sept 10 Index No.	Tues Sept 9 Index No.	Year ago (approx.) Index No.	1986 High		1986 Low		Since Compilation High		Since Compilation Low	
1	CAPITAL GOODS (212)	681.00	-2.5	9.08	3.77	14.01	12.42	698.53	706.16	713.35	521.67	753.28	30/4	567.54	14/1	753.28	30/4/86	50.71	13/12/74
2	Building Materials (26)	804.14	-1.7	8.73	3.59	14.44	14.81	817.93	825.91	827.32	551.03	844.79	4/4	613.05	23/1	844.79	4/4/86	44.27	11/12/74
3	Contracting, Construction (31)	1221.97	-2.3	7.64	3.79	17.92	20.68	1250.24	1252.30	1258.03	825.18	1280.78	2/7	911.88	23/1	1280.78	2/7/86	71.48	2/12/74
4	Electricals (12)	1809.76	-3.0	8.53	4.28	15.28	38.58	1866.25	1871.23	1920.98	1457.71	2092.98	21/4	1530.81	2/1	2092.98	21/4/86	84.71	25/6/62
5	Electronics (38)	1434.32	-2.6	10.46	2.98	12.76	28.24	1472.91	1489.45	1516.39	1315.14	1794.13	30/4	1387.58	24/1	2049.05	13/11/84	1229.81	8/10/85
6	Mechanical Engineering (60)	378.11	-2.9	10.41	4.38	12.26	7.44	389.59	393.54	398.23	298.14	422.95	18/4	316.63	23/1	422.95	18/4/86	45.43	5/1/75
8	Metals and Metal Forming (7)	348.33	-2.7	9.26	4.02	13.59	5.18	357.82	355.16	358.42	206.79	380.80	2/7	241.87	2/1	380.80	2/7/86	49.65	6/1/75
9	Motors (16)	274.28	-3.1	9.43	3.67	12.38	5.37	283.11	286.54	291.34	174.23	322.48	3/7	206.50	14/1	322.48	3/7/86	19.91	6/1/75
10	Other Industrial Materials (22)	1262.82	-2.5	7.17	4.23	16.55	18.94	1295.80	1322.85	1329.02	953.51	1347.13	3/4	993.49	21/1	1347.13	3/4/86	277.55	15/1/81
21	CONSUMER GROUP (182)	927.53	-2.2	7.88	3.23	15.93	14.58	948.73	960.86	958.55	692.11	968.16	3/4	739.82	14/1	968.16	3/4/86	61.41	13/12/74
22	Brewers and Distillers (22)	920.50	-1.9	9.43	3.48	12.99	14.81	938.15	955.35	951.72	713.48	989.31	30/6	764.25	14/1	989.31	30/6/86	69.47	13/12/74
25	Food Manufacturing (22)	694.85	-2.5	9.53	3.79	13.74	13.52	712.64	718.07	719.93	500.06	724.32	5/9	549.51	14/1	724.32	5/9/86	59.67	11/12/74
26	Food Retailing (15)	1940.18	-2.7	6.14	2.68	22.47	29.30	1994.64	2011.25	2015.98	1616.98	2015.98	9/9	1629.05	21/1	2015.98	9/9/86	54.25	11/12/74
27	Health and Household Products (10)	1490.72	-3.6	5.67	2.32	20.84	12.84	1546.36	1559.83	1578.99	1074.03	1651.15	17/4	1175.61	14/1	1651.15	17/4/86	175.38	28/5/80
29	Leisure (28)	901.77	-2.4	7.85	4.03	16.76	22.42	923.91	935.06	937.52	684.46	968.51	2/4	731.17	24/1	968.51	2/4/86	54.83	9/1/75
32	Publishing & Printing (14)	2606.32	-2.6	7.46	4.00	17.32	48.95	2674.52	2654.49	2630.13	1891.76	2674.52	11/9	1834.16	9/1	2674.52	11/9/86	55.08	6/1/75
33	Packaging and Paper (14)	468.61	-3.1	7.46	3.59	17.28	7.31	483.77	487.52	487.48	365.28	495.91	1/9	362.52	9/1	495.91	1/9/86	43.46	6/1/75
34	Stores (38)	887.46	-1.6	6.50	2.87	20.87	11.27	901.59	915.96	918.65	698.14	984.64	3/4	707.79	23/1	984.64	3/4/86	52.63	6/1/75
35	Textiles (17)	531.98	-2.6	9.69	3.64	11.96	9.64	546.46	548.79	546.08	342.22	574.78	1/7	375.50	14/1	574.78	1/7/86	62.66	11/12/74
36	Tobaccos (2)	1224.91	+0.3	13.51	4.22	8.13	22.46	1221.69	1267.44	1182.47	759.38	1267.44	10/9	873.47	9/1	1267.44	10/9/86	94.34	13/6/62
41	OTHER GROUPS (89)	760.01	-2.5	8.93	4.17	14.42	15.99	779.32	788.82	797.76	694.70	859.53	4/4	696.16	21/1	859.53	4/4/86	58.63	6/1/75
42	Chemicals (20)	953.27	-1.5	9.20	4.35	13.23	27.85	967.65	978.38	987.86	681.29	1002.76	3/9	729.24	14/1	1002.76	3/9/86	71.20	1/12/74
44	Office Equipment (4)	236.46	-3.0	7.86	4.48	15.39	4.65	243.72	245.45	248.74	200.29	281.13	9/5	205.37	23/1	281.13	9/5/86	45.34	2/1/75
45	Shipping and Transport (13)	1508.26	-2.1	8.04	4.34	15.72	29.60	1540.78	1545.94	1545.65	1220.37	1677.64	3/4	1316.35	14/1	1677.64	3/4/86	90.80	29/6/62
47	Telephone Networks (2)	754.20	-3.2	11.37	4.87	12.02	16.67	778.91	787.86	808.85	904.75	1050.03	4/4	741.46	24/7	1050.03	4/4/86	517.92	30/11/84
48	Miscellaneous (50)	1058.07	-2.5	6.62	3.26	18.93	15.36	1085.74	1100.16	1104.17	848.50	1115.38	5/9	866.26	9/1	1115.38	5/9/86	60.39	6/7/75
49	INDUSTRIAL GROUP (483)	829.33	-2.4	8.42	3.58	15.05	14.58	849.38	859.52	863.11	654.80	889.80	3/4	691.89	14/1	889.80	3/4/86	59.01	13/12/74
51	Oil & Gas (17)	1326.10	-1.0	12.33	6.79	9.99	54.03	1339.86	1363.11	1379.90	1159.95	1419.58	5/9	1093.63	20/2	1419.58	5/9/86	87.23	29/5/62
59	500 SHARE INDEX (500)	871.80	-2.2	8.88	3.96	14.22	17.69	891.49	902.68	907.30	697.32	917.63	3/4	727.53	14/1	917.63	3/4/86	63.49	13/12/74
61	FINANCIAL GROUP (117)	600.50	-2.1	—	4.65	—	14.45	613.62	619.16	622.31	474.21	629.86	4/4	507.50	14/1	629.86	4/4/86	55.88	13/12/74
62	Banks (7)	661.87	-1.5	19.23	5.49	7.12	23.57	672.17	684.66	683.01	476.74	787.33	20/3	517.21	5/2	787.33	20/3/86	62.44	12/12/74
65	Insurance (Life) (9)	858.50	-2.7	—	4.45	—	18.37	882.61	883.97	903.82	736.10	913.47	7/7	765.18	23/1	913.47	7/7/86	44.88	2/1/75
66	Insurance (Composite) (7)	478.51	-2.0	—	4.53	—	9.46	488.36	489.60	495.66	353.73	525.13	14/4	403.56	2/1	525.13	14/4/86	43.96	13/12/74
67	Insurance (Brokers) (9)	1167.47	-2.1	8.43	4.41	15.51	24.62	1192.65	1209.13	1213.12	1102.61	1315.27	12/2	1139.48	13/6	1315.27	12/2/86	65.86	16/12/74
68	Merchant Banks (12)	334.84	-3.1	—	4.19	—	5.26	345.44	351.21	353.75	233.83	390.22	1/7	277.36	24/1	390.22	1/7/86	31.21	7/1/75
69	Property (49)	751.78	-2.2	5.91	3.71	22.35	12.30	769.80	773.15	770.96	645.61	807.14	11/7	635.84	23/1	807.14	11/7/86	56.01	20/4/65
70	Other Financial (24)	343.42	-2.7	9.00	4.60	13.52	6.85	352.78	352.08	352.72	277.13	362.08	4/4	287.55	24/1	362.08	4/4/86	33.29	17/12/74
71	Investment Trusts (101)	782.78	-3.2	—	2.94	—	11.86	808.64	809.53	807.22	593.98	816.31	5/9	633.36	14/1	816.31	5/9/86	71.12	13/12/74
81	Mining Finance (2)	289.44	+1.1	12.45	5.54	9.36	6.11	286.16	297.21	296.14	262.10	331.16	21/3	240.83	2/1	337.57	10/4/84	66.31	30/9/74
91	Overseas Traders (14)	667.84	-2.0	11.25	6.52	10.57	24.15	681.61	680.23	678.11	597.35	707.32	1/7	597.55	2/1	707.32	1/7/86	97.37	6/1/75
99	ALL-SHARE INDEX (734)	794.66	-2.2	—	4.06	—	16.51	812.59	822.03	825.80	634.41	832.39	3/4	664.42	14/1	832.39	3/4/86	61.92	13/12/74
		Index No.	Day's Change	Day's High	Day's Low	Sept 11	Sept 10	Sept 9	Sept 8	Sept 5	Year ago								
	FT-SE 100 SHARE INDEX ‡	1608.6	-27.9	1624.3	1592.5	1636.5	1663.5	1673.4	1666.6	1684.8	1308.8	1717.6	3/4	1370.1	14/1	1717.6	3/4/86	986.9	23/7/84

FIXED INTEREST

	PRICE INDICES	Fri Sept 12	Day's change %	Thurs Sept 11	xd adj. today	xd adj. 1986 to date
	British Government					
1	5 years	121.57	-0.15	121.75	—	7.92
2	5-15 years	136.95	-0.22	137.25	—	9.30
3	Over 15 years	142.83	-0.10	142.96	—	9.74
4	Irredeemables	159.25	-0.61	160.22	—	8.90
5	All stocks	133.96	-0.18	134.20	—	8.90
	Index-Linked					
6	5 years	112.60	-0.31	112.95	—	2.00
7	Over 5 years	114.81	-0.67	115.59	—	2.53
8	All stocks	114.38	-0.61	115.09	—	2.43
9	Debentures & Loans	116.68	-1.25	118.15	—	7.07
10	Preference	85.29	-0.24	85.49	—	4.06

	AVERAGE GROSS REDEMPTION YIELDS		Fri Sept 12	Thurs Sept 11	Year ago (approx.)	1986 Highs		1986 Lows	
	British Government								
1	Low	5 years	8.70	8.64	10.05	10.26	20/1	7.37	18/4
2	Coupons	15 years	9.63	9.60	10.27	10.65	20/1	8.32	18/4
3		25 years	9.65	9.63	10.28	10.65	20/1	8.33	18/4
4	Medium	5 years	10.07	9.98	10.90	11.09	14/1	8.58	18/4
5	Coupons	15 years	9.99	9.97	10.64	11.15	20/1	8.58	18/4
6		25 years	9.83	9.78	10.26	10.74	20/1	8.58	18/4
7	High	5 years	10.16	10.06	10.99	12.07	20/1	8.73	18/4
8	Coupons	15 years	10.17	10.13	10.78	11.32	20/1	8.73	18/4
9		25 years	9.91	9.90	10.43	10.81	20/1	8.73	18/4
10	Irredeemables	†	9.49	9.43	9.86	10.35	27/1	8.38	18/4
	Index-Linked								
11	Inflat'n rate 5%	5 yrs	3.96	3.82	0.0	5.18	14/1	3.24	29/4
12	Inflat'n rate 5%	Over 5 yrs	3.51	3.47	0.0	4.01	20/1	3.26	13/5
13	Inflat'n rate 10%	5 yrs	2.53	2.57	0.0	4.23	14/1	2.09	18/8
14	Inflat'n rate 10%	Over 5 yrs	3.34	3.32	0.0	3.85	14/1	3.09	19/5
15	Debs &	5 years	10.46	10.30	11.57	12.78	27/1	9.72	8/7
16	Loans	15 years	10.82	10.64	11.45	11.93	4/2	9.79	22/4
17		25 years	10.86	10.68	11.32	11.83	21/1	9.69	17/4
18	Preference	†	10.82	10.80	12.14	12.18	24/2	10.38	9/6

‡ Opening index 1613.2; 10 am 1612.7; 11 am 1609.9; Noon 1597.8; 1 pm 1592.9; 2 pm 1613.3; 3 pm 1615.9; 3.30 pm 1603.6; 4 pm 1603.0.

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
Telephone Networks	30/11/84	517.92	Food Manufacturing	29/12/67	114.13
Electronics	30/12/83	1646.65	Food Retailing	29/12/67	114.13
Other Industrial Materials	31/12/80	287.41	Insurance Brokers	29/12/67	96.67
Health/Household Products	30/12/77	261.77	Mining Finance	29/12/67	100.00
Other Groups	31/12/74	63.75	All Other	10/04/62	100.00
Overseas Traders	31/12/74	100.00	British Government	31/12/75	100.00
Mechanical Engineering	31/12/71	153.84	Do. Index-linked	30/04/82	100.00
Office Equipment	16/01/70	162.74	Debs. & Loans	31/12/77	100.00
Industrial Group	31/12/70	128.20	Preference	31/12/77	76.72
Other Financial	31/12/70	128.06	FT-SE 100 Index	30/12/83	1000.00

† Flat yield. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4, price 15p, by post 28p.
CONSTITUENT CHANGES: United Real Properties (69) has been deleted and replaced by G.T. Management (70). ●Constituent numbers amended 28/8/86.

Ensign fails in £86m bid for Berry

By Charles Batchelor

THE £86m takeover bid from Ensign Trust for Berry Trust failed yesterday after Ensign won the support of only 29.55 per cent of Berry's shareholders.

Ensign, which is controlled by the Merchant Navy Officers' Pension Fund, faced a formidable obstacle in trying to win control of Berry in the shape of GT Management. GT rallied a defensive concert party which bought up more than 27 per cent of Berry's shares.

GT had managed the Berry portfolio since 1969 and was also keen to prevent the 11.7 per cent holding which Berry had in its shares falling into Ensign's hands.

Ensign won acceptances from the holders of a 19.63 per cent stake in Berry though the bulk of these shares came from funds managed by the Merchant Navy Officers. Ensign owned about 10 per cent of Berry.

GT had attacked Ensign and the Merchant Navy Officers for using financial resources which benefited from tax privileges to build up a strong position in the financial services area. Merchant Navy Officers has large minority holdings in several fund management groups.

Berry's shares fell 2p yesterday to 248p while Ensign also eased 2p to 73p.

Exchange rates peg Delta to £27.2m in first half

HALF-YEAR pre-tax profits of Delta Group moved ahead slightly to £27.2m, against £26.6m, despite the negative impact of exchange rates on overseas profits, which accounted for £3.4m.

The interim dividend has been lifted by 10.6 per cent to 2.6p and the chairman, Mr Geoffrey Wilson, said that although there had been little change in trading conditions he expected results for the full year to show some improvement over 1985.

External turnover for the six months to June 28 1986 was down at £263.13m compared with £304.45m. That was due to the effect of disposals, exchange rates and the change in status of certain overseas companies from subsidiary to related companies.

The group said that, allowing for these effects, underlying volume had shown a further increase.

Operating profit was down 16.2 per cent at £22.69m, but pre-tax figures benefited from a 93.5 per cent increase in the share of profits from related companies to £5.01m.

In electrical equipment, the largest segment of the business, sales were down at £134.4m (£143.3m), but a good performance in cables meant an increase in pre-tax profits to £14.72m (£14.14m).

Fluid controls showed an improvement with pre-tax profits up at £2.01m (£1.56m) on turnover down at £44.08m (£55.94m), but the metals division was affected by lower demand with sales down to £78.05m (£95.12m) and pre-tax profits substantially lower at £3.7m (£5.64m).

Industrial services profits were hit by exchange rates, which accounted for its fall in pre-tax profits from £8.31m to £7.27m on turnover again lower at £58.11m (£68.13m).

After tax of £10.5m (£7.75m) and minorities of £500,000 (£1.18m), net attributable profit worked through at £16.15m (£17.81m).

● comment

Angelic choirs and dry ice accompanied Delta's promotional video but Out of Africa might have been a more appropriate (and more entertaining) substitute. Around £10m has been remitted from South Africa this year with the help of the sales of shares in a subsidiary which will eventually reduce Delta's stake from 78 to 50 per cent. Rand and Australian dollar depreciation cut the industrial services contribution by £1m this first half, but an acquisition in the US should strengthen the division later this year. On the electrical equipment side, the loss of Middle East sales of higher margin switchgears has kept profits growth sluggish. Returns in both the fluids controls and the metals division remain disappointing. Overall a rather lacklustre profits performance, but the balance sheet looks strong and the company is investing £20m to boost further growth. Assuming full year profit of £57m, the shares at 173p are not dear on a prospective p/e of 9.

London Park marginally ahead

BY ALICE RAWSTHORN

London Park Hotels, like most other central London hoteliers, suffered from the decline in US tourism in the first half of the year and unveiled a slender increase in pre-tax profits of three per cent to £601,000 yesterday.

"As a company, we are over-exposed to the London market, and were badly affected by the decline," said Mr Naushad Jivraj, London Park's chief executive. "We also faced the problem of pressure on room prices because all the London hotels competed fiercely for business from European visitors and the domestic market."

In the six months to June 30, London Park's turnover increased to £3.6m (£3.25m). Earnings per share fell to 8.23p (8.97p) but the board has decided to pay an unchanged interim dividend of 3.5p a share.

These figures include a contribution for three months trading for the Heathrow Park Hotel. The renovation of the Royal Angus Hotel will be completed in mid-1987, and of the Heathrow Park Hotel at the end of 1987. The company sold the Mill Hotel in Sudbury in August for £750,000, which is higher than its book value.

In order to reduce its reliance on the London hotel market, the company has begun to diversify into new areas of activity.

Earlier in the summer, London Park formed a new subsidiary, Country Care Homes, to build up a chain of nursing homes primarily in the Yorkshire area. Country Care already operates four homes and plans to open a further four by the end of the year.

● comment

Thanks to Mrs Nancy Reagan's appearance at the Royal Wedding, US tourists are, slowly, but surely, beginning to trickle back into London. London Park, however, has not yet felt the benefit of this and any recent improvement in demand is due to the domestic corporate market. Given that 15 per cent of rooms were filled by US visitors last year it is astonishing that the damage to the first half was not greater. Perhaps because of this the share price fell by just 5p to 555p yesterday. London Park has sensibly expanded into new areas. Future expansion in British hotels will concentrate on the big cities, other than London. Yorkshire nursing homes offer the opportunity to expand into a growth market in which fees are as high as in London, but property prices and labour costs far lower. Meanwhile the company is distinctly cryptic about its Florida venture. The City expects a slight fall in profits to £1.5m for the full year producing a p/e of 29, which allows for the US return.

Hillsdown in agreed bid for Blue Bird

By Charles Batchelor

Hillsdown Holdings, the fast-expanding food processor and furniture group, is making an agreed bid worth £4.1m for Blue Bird Confectionery Holdings, the loss-making producer of toffees and boiled sweets, in a further extension of its recently established confectionery business.

The Blue Bird deal, which Hillsdown has already clinched by acquiring a near 70 per cent stake in the company, is Hillsdown's 13th acquisition so far this year.

The Bluebird purchase is the second major step in Hillsdown's efforts to establish a confectionery business and follows the acquisition in January of Needlers for £3.45m. Hillsdown also has a stake in Bassett Foods, the liquorice allsorts company.

Mr Harry Solomons, Hillsdown's joint chairman, said his company and Blue Bird shared many customers, notably Marks & Spencer, while Needlers could bring its expertise to bear on Blue Bird's problems.

Blue Bird needed to strengthen its production procedures and beef up its sales and marketing effort, he added.

Blue Bird made a pre-tax loss of £115,000 on turnover of £8.98m in the year ended June 1985 compared with a profit of £241,000 on sales of £9.96m the year before. It made a further loss of £135,000 on turnover of £4.61m in the six months ended December 1985.

The company has blamed its problems on a squeeze on its margins by large EEC prices for raw materials and pressure from the retail chains to cut prices. Blue Bird exports to 70 countries.

Hillsdown is offering 112p in cash for each Blue Bird ordinary share and 100p in cash for each preference share. Hillsdown recently acquired a 66.14 per cent stake in the ordinary shares and 59.44 per cent of the preference shares through Kleinwort Benson, its bankers. The company already held a 3.3 per cent stake in the ordinary shares.

This is Hillsdown's third deal in the past three weeks. It made an agreed £14.1m bid for May & Hassell, the timber and building materials group, on August 27, followed this up with another agreed offer, of £62m for Meadow Farm Produce, and then snapped up 51 per cent of Inghams Stockfeeders, a private animal feed company for £408,000.

Laird expands via £8m deal

The Laird Group has made an addition to its sealing systems division through the purchase of J. E. Reynolds, a security lock manufacturer for £8m in cash.

Reynolds, which makes window and door security locks, recorded profits before owners remuneration and tax of £1.7m in the year to March 30 1986. It will be operated in conjunction with the Laird subsidiary, Linear, which supplies weatherstripping for windows and doors.

Sealing systems is the strongest growth area in the Laird group, which has spent the past few years diversifying from its transport base. On Tuesday, Laird reported interim pre-tax profits up 2.4 per cent to £13.4m.

AUDC severs Canada ties

Anglo United Development Corporation (AUDC), the small open-cast mining group which recently held unsuccessful takeover talks with Burnett & Hallamshire, is to sever its Canadian ties and become a purely British-registered company.

AUDC, which began life in Canada in 1948 as a mineral exploration group, has generated an increasing proportion of its profits in the UK in recent years and in August 1985, obtained a London listing for its shares.

The complexity and the cost of carrying out both the listing and the reregistration at the same time has meant it had delayed until now a move to register in the UK, Mr David McErlain, chief executive, said. It had retained its Canadian registration and its Toronto listing.

AUDC believes it will be easier to finance a further expansion of its business if it consolidates control in the UK. "We always have to explain to the institutions that we're really a British company but registered in Canada and even then they put us in their Canadian portfolio," Mr McErlain said.

AUDC has set up a new company, Anglo United PLC, which is making an agreed one-for-one share offer for AUDC. This will require Anglo United to issue nearly 23m shares. To conform with Canadian takeover rules, Canadian residents will be able to receive cash, equivalent to C$0.53 (28p) per share.

Fifty-three per cent of AUDC's shares are held by Mr McErlain, but Mr Denis Bell, another director, and by a third senior employee. Another 42 per cent is owned by UK institutions and private investors while about 5 per cent are held in Canada.

Platignum £0.95m rights

Platignum, the pen and plastics company, yesterday reported a fall in pre-tax profits from £78,000 to £21,000 for the half-year to July, and proposed a two-for-five rights issue to finance two acquisitions and cut borrowings.

The company said sales were disappointed in the writing instruments division and increased at John Barr during the period, but were overshadowed by a drop in outside moulding activity in the plastics division.

Turnover rose from £5.29m to £5.31m, trading profits fell from £153,000 to £115,000, and the interest charge rose from £75,000 to £94,000.

Platignum said ordinary and preference dividends would be passed because of the deficit on its profit and loss account, but it planned to apply for a reduction in share capital so that payments could resume.

The rights issue, underwritten by Brown Shipley, the merchant bank, will raise £950,000 net through the issue of 21.94m shares of 5p a share at 5p. Platignum's existing ordinaries were down 1p at 7p at yesterday's close.

The issue will fund the purchase of two plastic companies from a Mr R. W. Hill for £692,834. The companies are Copa, a manufacturer of high-quality plastic injection mouldings, and VPT, which makes tooling for the plastics and precision engineering industries.

IMI £5m acquisition

IMI, the metals and engineering group, has bought the USM-quoted Webber Electro Components for about £5m.

Webber is an important UK supplier of solenoid valves. IMI said that its fluid power group is a major user of solenoids and the deal "provides an opportunity for IMI to secure supplies from a UK source and for the two companies to work together in developing products which involve co-ordinated use of electronic and pneumatic technology."

In the year to September 1985 Webber made pre-tax profit of £540,000 on turnover of only £2.2m. The company has not, however, done quite as well in the first half of the current year because customers — including IMI — have been over-stocked. Interim profits were down to £235,000 from £240,000 last year.

The offer of 110p in cash has been accepted by the Webber directors who own 31.1 per cent of the shares.

Breathing space for Manchester Ship Canal

The Manchester Ship Canal Company, which is fighting off a £37m takeover bid from Highams, the textile group, has won a breathing space for its shareholders after appealing to the Takeover Panel.

Morgan Grenfell, MSCC's merchant bank, said the panel had ruled that the document issued by Highams on September 8, saying the bid would close on September 22, was not in fact valid under the Takeover Code. MSCC had reserved the right to extend the offer, but given no reason, Morgan said.

Highams, like any other bidder, must give 14 days notice that it is closing its offer, pushing any close at least to September 26.

Morgan said Highams had been attempting to pressure MSCC's shareholders into accepting. Highams has 55 per cent of MSCC's shares, but only 38 per cent of its votes.

Norton Opax

The Monopolies and Mergers Commission has sent its report on Norton Opax's contested bid for the larger printing and packaging group McCorquodale to the Secretary of State for Trade and Industry. A decision on the recommendation is expected within the next two weeks.

Mr Richard Hanwell, chief executive of Norton Opax, said he was confident the Commission would clear the bid, but added that he had heard no more than rumours about its decision.

If the bid was cleared Mr Hanwell said that the company would look at the respective share prices and the state of the market before deciding whether to make a new offer. He also said that Norton had been looking actively at two or three smaller companies for acquisition.

Sandell Perkins

The offer for sale of 8.5m ordinary shares in Sandell Perkins was 16 times oversubscribed. Details of allocations will be announced as soon as possible.

BBA rights

OF THE £31.3m new ordinary shares offered by the BBA Group via a rights issue over 94 per cent were taken up. The shares not taken up were sold and the excess over the subscription price of some 26.53p per share will be distributed pro rata to the original allottees.

Magnolia Group

Magnolia Group (Mouldings), the manufacturer and importer of picture frame mouldings, increased pre-tax profits from £481,000 to £509,000 in the first half of 1986, on turnover up from £7m to £7.48m. In the Financial Times of September 10 the company's gross profit was incorrectly described as trading profit.

DIVIDENDS ANNOUNCED

Addison Consultcy‡ int	0.8	—	0.71	—	2.11
Apex Properties int	nil	—	1.3	0.7	2
Bank Leumi int	3.9	—	3.5	—	11.2
Beechmart int	0.88	—	0.88	1.63	1.5
Delta Group int	2.6	Dec 1	2.35	—	6.8
DSC Hldgs	0.5	Oct 28	0.5	0.5	0.5
Excalibur Jewellery	0.06	—	0.05	0.06	0.05
Huntleigh Tech† int	0.5	Oct 31	0.5	—	1.5
London Park Hotels int	3.5†	Nov 27	3.5	—	10
George Oliver int	1.98	Oct 31	1.8	—	9
Pifco	4	Oct 23	3.52	5.76	5.28
Ryan Hotels§ int	0.5	Oct 21	0.5	—	1.5
Sharna Ware int	nil	—	0.9	—	2.45
S'ton/IoW RM int	nil	—	4	—	16
S. W. Wood int	1	—	1	nil	1

Dividends shown in pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Irish pence throughout.

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Weill to control Commercial Credit

RODERICK ORAM IN NEW YORK

MR SANFORD WEILL, the Wall Street financier, struck a deal yesterday with Control Data, the struggling US computer maker, which will give him a financial vehicle, following his failed attempt earlier this year to become chief executive of Bank of America.

Control Data will spin off its wholly-owned Commercial Credit financial services subsidiary as a public company with Mr Weill as chairman and chief executive. Mr Weill and his management team will take an equity stake and Control Data will retain 20 per cent ownership.

Mr Weill, who resigned as president of American Express, the financial services conglomerate, in June last year, was unavailable for comment yesterday on his plans for Commercial Credit. Earlier this year, Bank of America rebuffed his offer to raise $1bn of equity for it if he was appointed chief executive.

Commercial Credit has 488 banking and consumer financial service centres in 40 states, health and life insurance, business credit indemnity and leasing operations. On June 30 it had assets of $5bn and book value of $661m.

The Minneapolis-based computer maker said it hoped to realise at least Commercial Credit's book value in the spin-off this autumn. Proceeds would help strengthen its core computer activities and improve its debt-to-equity ratio by, for example, reducing inter-company debt with Commercial Credit, which is its main source of profits.

The group's losses widened in the first half of this year to $29m, or 83 cents a share, on sales of $1.62bn from $14m, 38 cents on $1.8bn a year earlier.

The second quarter saw some improvement in the computer division, with the operating loss narrowing to $14.2m from $16.4m a year earlier. Commercial Credit contributed net profits of $12.5m in the second quarter against $11.2m a year earlier.

Sanford Weill: finding a financial vehicle

Court order blocks Promet foreclosure

By Wong Sulong in Kuala Lumpur

PROMET, the financially troubled Malaysian/Singapore oil rig, construction and property group, has obtained a high court injunction restraining 19 creditor banks from taking action to wind-up the company.

The company said it had to seek the injunction after receiving letters of demand from three of its creditor banks — Hongkong and Shanghai Bank, Morgan Guaranty Trust, and Standard and Chartered.

Promet has bank loans totalling 295m ringgit ($113m) of which only 29m ringgit is secured. Most of its creditors are Singapore branches of international banks.

Mr Brian Chang, Promet's managing director, told the court that the company was still negotiating for the rescheduling of its debts, and that action by any bank could lead to similar action by others, resulting in the company being wound up.

The banks have 14 days to appeal for the injunction order to be set aside.

Bankers in Kuala Lumpur said the creditor banks are taking action because of the lack of progress in the disposal of Promet's assets.

The banks' action is precipitated by an amendment bill, to be tabled at the sitting of the Malaysian parliament next month, which would allow financially troubled companies to seek judicial protection from their creditors.

The Malaysian government says the bill is similar to Chapter 11 of the US companies act, but bankers claim the proposed amendments go far beyond the provisions in the US law.

Trading in Promet shares was suspended on the Kuala Lumpur and Singapore stock exchanges last Wednesday following heavy selling on reports that the company was having trouble with its creditor banks.

Promet incurred an after tax loss of 113m ringgit last year due to the sharp downturn in oil and construction activities, compared with a net profit of 33m ringgit for 1984.

Campeau in $1.7bn bid for Allied

BY BERNARD SIMON IN TORONTO

CAMPEAU, the Canadian property developer, has decided to launch a US$1.74bn hostile bid for New York-based Allied Stores following the retailer's curt rejection of an earlier friendly merger offer.

Campeau said that it will offer US$58 a share in cash for up to 30m Allied shares, equal to 84 per cent of the total. The offer expires on October 9. Campeau reserves the right to buy more than 30m shares but says that it has no intention of doing so at this stage.

The Canadian company said yesterday however that it will consider raising its bid if a merger can be agreed amicably.

The earlier $2.74bn cash-and-securities offer, also at $58 a share, was for all 47.2m shares outstanding. Allied had said that "it was not in the best interests of Allied's shareholders" to accept Campeau's offer.

No reason was given, but analysts agree that the bid price of $58 a share is well below Allied's asset value. There are also indications that Allied, which operates 24 retail chains in the 46 US states and Japan, has doubts about the suitability of Campeau as a controlling shareholder.

Campeau, a medium-sized developer with projects in Canada, Texas and California, wants control of Allied partly to diversify its business and partly to gain access to the retail group's valuable downtown property sites.

General Felt wins DIY chain

BY WILLIAM HALL IN NEW YORK

GENERAL FELT Industries, a closely-held New Jersey firm which has in the past tried to take over such widely differing companies as Sotheby Parke Bernet, the prestigious auction house, and L. F. Rothschild, the Wall Street investment bank, has won the battle for control of Color Tile, a Texas-based retail chain.

Color Tile said yesterday that it had agreed to merge with General Felt, which is run by Mr Marshall Cogan and Mr Stephen Swid, after General Felt had sweetened its offer to around $300m, or $31.50 a share.

General Felt increased its bid after a second investor group, led by Merrill Lynch Capital Partners and including members of Color Tile's management, indicated that it was prepared to increase its $25 a share offer to "in excess of $30 a share."

Under the terms of the agreement, General Felt must acquire at least 50.5 per cent of Color Tile's 9.54m shares at the end of a 20-day tender offer period, which begins next week. General Felt will then fold Color Tile into one of its subsidiaries and shareholders who did not tender will receive $31.50 for each share.

Color Tile approved General Felt's revised offer, which it described as "friendly." On Wall Street Color Tile shares rose by ¼ to $31⅛ yesterday. The group's fortunes have been improving steadily over the past year, in part because of increased consumer interest in home renovation. The company is a speciality retailer catering to the do-it-yourself market.

Voest-Alpine raises its loss forecast

BY PATRICK BLUM IN VIENNA

VOEST-ALPINE, Austria's state-owned steel, engineering, electronics and trading group, is expected to make losses of up to Sch 7bn ($483m) this year, the company said yesterday. The deficit is higher than initially been expected because of unforeseen additional losses in some foreign activities.

Earlier tis month Dr Herbert Lewinsky, Voest's managing board chairman and chief executive, had predicted that the company would make an operating loss of about Sch 4.2bn this year. The difference is due primarily to additional losses expected from a coal mine in the Philippines, and to problems with a cellulose plant in Cameroon.

The mine was developed to provide coal for an adjacent power plant being built by a Japanese company, but the boilers installed in the plant were not appropriate for the type of coal produced, leaving Voest with a mine for which it has little use. The company is negotiating with the Philippines government over the mine's future.

Talks are also taking place with the government of Cameroon over the future of the cellulose plant, which was never started up.

"These are skeletons that we are finding in our cellars," said one executive, referring to Voest's previous management. Dr Lewinsky was appointed earlier this year after the former management had been sacked following the company's record Sch 11.75bn loss last year.

According to a restructuring plan earlier this month Voest expects to make cumulative losses of Sch 10.7bn until 1989 and to return to profit in 1990.

LONDON TRADED OPTIONS

Option		Calls Oct.	Calls Jan.	Calls Apr.	Puts Oct.	Puts Jan.	Puts Apr.
Allied Lyons (*335)	300	38	50	62	3	6	9
	330	20	30	43	11	18	20
	360	8	18	28	32	33	35
B.P. (*633)	600	65	90	105	6	16	27
	650	33	55	70	27	35	48
	700	12	30	40	55	65	78
Cons. Gold (*539)	420	127	137	147	2	5	8
	460	87	100	115	3	14	18
	500	52	72	87	12	25	35
	550	22	43	57	37	47	52
Courtaulds (*275)	260	21	35	45	4½	11	12
	280	13	21	31	15	20	24
	300	4	13	20	27	32	34
Com. Union (*290)	280	17	28	36	9	13	16
	300	8	17	24	20	23	26
	330	2½	9	15	46	46	48
Cable & Wire (*307)	300	22	40	52	10	15	20
	325	12	25	37	25	30	35
	350	3	12	29	45	50	52
Distillers (*727)	600	142	—	—	1½	—	—
	650	102	—	—	4	—	—
	700	42	—	—	8	—	—
G.E.C. (*166)	160	16	26	34	7	11	15
	180	5	15	20	17	19	24
	200	2	6	11	32	36	38
Grand Met. (*388)	360	—	48	60	—	7	10
	382	22	—	—	10	—	—
	390	—	30	40	—	22	25
	420	8	23	32	37	42	45
I.C.I. (*1020)	1000	52	87	95	15	32	35
	1050	27	57	67	37	47	62
	1100	15	37	47	75	80	90
Land Sec. (*310)	300	18	28	35	4	8	10
	330	4	12	21	23	24	25
	360	2	5	10	51	51	51
Marks & Spen. (*207)	180	27	34	42	1	2	5
	200	12	17	24	6	8	11
	220	3½	9	15	17	20	22
Shell Trans. (*886)	850	55	80	100	20	35	47
	900	30	55	72	42	55	75
	950	12	30	47	87	97	112
Trafalgar House (*278)	280	12	18	26	14	22	28
	300	5	11	19	27	35	39
	330	1	4	—	57	58	—

Option		Calls Nov.	Calls Mar	Calls June	Puts Nov	Puts Mar	Puts June
Lonrho (*217)	200	26	34	39	5	11	13
	218	15	—	—	12	—	—
	220	—	24	28	—	21	24
	236	7½	—	—	24	—	—
	240	—	13	19	—	32	37

Option		Calls Nov.	Calls Feb.	Calls May	Puts Nov	Puts Feb	Puts May
Brit Aero (*460)	460	23	38	50	25	32	40
	500	12	23	35	58	62	68
	550	4	12	20	103	105	108
BAT Inds (*428)	390	42	63	70	4	12	18
	420	27	42	53	12	20	27
	460	9	20	33	38	42	47
Barclays (*492)	460	50	67	80	6	12	17
	500	28	45	57	25	32	37
	550	8	18	32	60	65	67
Brit. Telecom (*188)	180	18	24	30	8	12	16
	200	6½	14	20	18	24	24
	220	3	7	13	35	36	38
Cadbury Schweppes (*172)	160	15	24	30	4	9	12
	180	5	13	18	15	18	21
	200	2	5	—	31	33	—
Guinness (*320)	300	38	50	60	5	10	12
	330	20	30	38	13	22	25
	360	7	13	22	37	40	42
Imperial Gr. (*390)	300	92	—	—	1½	—	—
	330	62	—	—	1½	—	—
	360	35	—	—	5	—	—
Ladbroke (*350)	330	25	42	55	3	7	12
	360	13	25	37	17	18	25
	390	4	12	20	40	42	45
LASMO (*124)	110	18	23	—	8	12	—
	120	14	19	25	15	18	22
	130	8	15	20	25	27	30
Midland Bk (*574)	500	87	107	117	2	7	12
	550	45	67	82	12	20	27
	600	19	30	45	40	45	47
P. & O. (*539)	500	35	50	65	10	23	25
	550	12	23	37	27	40	45
	600	3	—	—	73	—	—
Racal (*174)	160	22	28	36	4	8	12
	180	10	17	24	11	15	20
	200	4	10	14	30	30	32
R.T.Z. (*611)	550	72	85	—	10	21	—
	600	37	52	74	27	47	55
	650	20	35	50	50	74	87
	700	7	17	—	92	110	—
Vaal Reefs (*$82)	60	23½	25½	28	1½	4½	5
	70	14½	17½	20½	4½	8	9½
	80	8½	12	14	7½	12	13½
Tr. 11¾% 1991 (*£107)	106	[illegible]	[illegible]	2	[illegible]	[illegible]	[illegible]
	108	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	110	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tr.11¾% 03/07 (*£114)	114	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	116	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	118	[illegible]	2	[illegible]	[illegible]	[illegible]	[illegible]
	120	[illegible]	[illegible]	[illegible]	[illegible]	7⅛	8

Option		Calls Sep	Calls Dec	Calls Mar	Puts Sep	Puts Dec	Puts Mar
Beecham (*401)	360	43	58	68	2	7	9
	390	15	35	45	4	15	22
	420	4	18	28	22	38	45
	460	2	10	16	62	65	70
Boots (*219)	200	19	27	34	1	3	6
	220	6	17	25	8	15	18
	240	1	9	16	25	28	29
BTR (*300)	300	—	—	35	—	—	25
	307	6	18	—	12	20	—
	330	—	—	20	—	—	43
Bass (*735)	700	45	70	80	1	10	17
	750	20	38	50	25	35	40
	800	4	15	30	70	70	70
Blue Circle (*541)	500	45	60	73	1½	20	13
	550	9	25	43	17	32	38
	600	2	12	25	63	63	65
De Beers (*$7.45)	600	155	170	195	4	12	25
	650	105	125	155	4	24	38
	700	65	105	125	15	40	60
	750	28	75	95	30	60	80
Dixons (*368)	330	36	46	58	1½	4	7
	360	13	24	34	6	12	14
	390	2	12	18	26	28	30
GKN (*268)	260	14	29	39	7	12	16
	280	3	16	26	17	22	25
	300	2	8	18	33	36	39
	330	0½	4	9	63	63	63
Glaxo (*930)	900	55	100	—	10	50	—
	950	30	70	110	35	80	100
	1000	15	50	90	75	110	125
	1050	5	40	75	125	145	155
	1100	5	30	—	175	190	—
Hanson (*188)	135	53	—	—	1	—	—
	150	38	—	—	1	—	—
	160	28	36	41	1	2½	4
	180	9	19	25	2	7	10
	200	1½	11	17	12	15	20
Jaguar (*505)	460	48	65	75	3	10	13
	500	15	42	53	9	22	30
	550	3	20	30	48	55	60
	600	2	8	18	98	100	103
Thorn EMI (*494)	420	77	90	100	1	4	9
	460	40	55	65	4	11	17
	500	7	30	42	20	25	32
	550	1	10	20	62	62	62
Tesco (*401)	360	43	57	70	1	7	9
	390	17	32	45	5	13	18
	420	6	17	28	25	27	33

Option		Calls Sept.	Calls Oct.	Calls Nov.	Calls Dec.	Puts Sept.	Puts Oct.	Puts Nov.	Puts Dec.
FT-SE Index (*1603)	1550	65	83	95	—	8	16	22	—
	1575	45	63	77	—	17	27	33	—
	1600	27	43	60	—	26	38	45	—
	1625	15	30	48	—	42	53	60	—
	1650	10	20	35	55	60	68	75	85
	1675	7	14	25	43	80	88	93	100
	1700	2	10	20	35	100	108	110	110

September 12. Total Contracts 37,544. Calls 23,670. Puts 13,874.
*Underlying security price.

C. H. Tung in $277m deal to pay for 12 ships

By David Dodwell in Hong Kong

C. H. TUNG, the larger of two Hong Kong shipping groups which are in the process of being rescued after floundering last year, yesterday won agreement from a syndicate of 37 banks and leasing companies for a $277m loan to finance 12 new vessels on order in Japan.

Agreement on the loan marks the second important step in two weeks towards the reconstruction of the group, details of which are being considered by C. H. Tung's 150 creditors. Last week, Mr Henry Fok agreed to inject $120m into the group once reconstruction is complete. Mr Fok is a prominent Hong Kong business figure who is believed to be acting on behalf of mainland Chinese interests.

C. H. Tung is Hong Kong's second largest shipping group. It once boasted 150 vessels, but now has 29 container vessels and 50 tankers and bulkers. It collapsed late last year with debts estimated at $2.6bn.

When C. H. Tung floundered, it was committed to buying a total of 24 vessels from Japanese shipyards. As part of the reconstruction plan, orders for 12 vessels have been cancelled. The 12 year loan agreed yesterday ensures that the group, once reconstructed, can go ahead with plans to purchase the remaining 12 vessels.

The loan will be borrowed by a new company set up within the Tung group specially to take delivery of the new ships, which comprise five container vessels and seven tankers. Of the loan agreed by Mr Fok, $20m will be subscribed for equity in the new ships' company, while the remaining $100m will give Mr Fok a 35 per cent stake in Orient Overseas (International), the company which is intended to operate C. H. Tung's container fleet.

Hong Kong's second ailing shipowner, Wah Kwong, also ended the week on a hopeful note after persuading two major Japanese creditors to back its reconstruction plan. Wah Kwong has a fleet of 65 vessels, and had debts of $850m when it collapsed. Hopes of a successful reconstruction were rocked early this week when Chase Manhattan Bank arrested one of its ships.

Wah Kwong's interim operating agreement expired late in August, adding urgency to the search for an acceptable rescue plan. Early this week, fewer than half of the group's 46 main creditors had given support for the current set of proposals. Agreement yesterday by two big Japanese creditors is expected to prompt other Japanese financial institutions to swing their support behind the plan.

Two Danish industrial art concerns to merge

BY HILARY BARNES IN COPENHAGEN

DENMARK'S two major industrial art companies, Royal Copenhagen and Bing and Groendal, are planning to merge with effect from October 1 in order to strengthen their position in the international markets.

The merger will create a business with a turnover of about DKr 1.3bn ($166.67m) and a total staff of 3,500.

The majority shareholder in Royal Copenhagen is United Breweries, producer of Carlsberg and Tuborg beers.

In the first nine months of 1985, the only period for which figures are available so far, Royal Copenhagen made a pretax loss of DKr 15.1m on turnover of DKr 864m.

Bing and Groendal is the country's other major porcelain producer with a 1985 turnover of DKr 275m, and a pretax profit of DKr 11.5m.

● The flotation of DKr 30m B shares in Nordisk Gentofte, the Danish insulin producers was heavily over-subscribed, according to Anske Bank. The issue was floated with a minimum price tag of DKr 600 for shares with a face value of DKr 100 but the issue was sold at DKr 900 per share, raising DKr 270m.

Sealion Hotels agrees sale to cover investment losses

BY STEVEN BUTLER IN SINGAPORE

SEALION HOTELS, the troubled Singapore hotel and investment company, has announced an agreement to sell the Hyatt Regency Hotel Singapore to Borneo Properties for S$183.5m (US$70.5m) subject to shareholders' approval.

Proceeds of the sale will be used mainly to repay Sealion's creditors and to meet the obligations of its wholly-owned subsidiary, Sealion Investments, a Malaysian-registered company, which ran into a tangled web of share dealings being investigated by the Singapore authorities.

Standard Chartered Bank, one of Sealion's largest creditors, appointed two members to the board in February in an effort to sort out the company's affairs and restore confidence. At the time, Standard Chartered executives said they believed Sealion Investment was fundamentally sound. This optimism later proved unfounded.

Sealion Hotels was forced to make a S$65.5m provision for losses in share dealings of the investment subsidiary last year. The company evidently failed in efforts to find fresh equity investment, and was forced to sell the Hyatt into a depressed property market.

Elscint reschedules debt

BY JUDITH MALTZ IN TEL AVIV

ELSCINT, the Israeli manufacturer of medical diagnostic equipment, has signed a capital restructuring agreement with its creditors, the effect of which will be to cancel a large portion of the company's US$184m debt and to reschedule the balance.

According to the terms of the agreement, reached with seven banks and Elron Electronics Industries, Elscint's major shareholder, the bank will write off $80m of the company's debts, and convert another $50m into a four-year loan.

Elron will wipe out another $10m of debt and inject $20m of capital to the company.

Elscint, once regarded as the success story of Israeli high technology, several weeks ago reported a loss of $92m for the seven months to October 31.

CURRENCIES and MONEY

FOREIGN EXCHANGES

Dollar loses ground

INTERVENTION by the Bundesbank and poor US retail sales figures pushed the dollar sharply weaker yesterday. The US unit opened on a strong note as speculators looked for a rise in retail sales of up to 4 per cent from 0.1 per cent in July. However, before the figure was released, the dollar broke through the DM 2.10 level against the D-Mark and the Bundesbank came in to the open market to sell dollars. This immediately pushed the dollar some two pfennigs weaker and provided a painful and bloody nose for those pushing the dollar firmer on purely speculative rumours.

The second blow came later in the day when US retail sales showed a rise in August of only 0.8 per cent, some way below even the more sensible predictions and this pushed the dollar still weaker.

Against the D-Mark it closed at DM 2.0605, down from DM 2.0910 on Thursday and Y155.30 compared with Y156.30. Elsewhere it slipped to SFr 1.6705 from SFr 1.6990 and FFr 6.7375 from FFr 6.8325. On Bank of England figures, the dollar's exchange rate index fell from 111.8 to 111.1.

Yesterday's activity leaves the dollar in something of a quanduary. Recent speculation about a turnround in the economy, renewed inflationary fears and diminishing chances of a cut in the US discount rate now look less than credible. What does remain clear is that West Germany and Japan have resisted pressure to cut their interest rates and unless there is some unexpected development, the dollar's bearish tone is likely to return.

Sterling fell against European currencies but not to quite the same extent as the US dollar. Consequently it was slightly firmer against the latter at $1.4770 up from $1.4690. Against thet D-Mark it fell to DM 3.0450 from DM 3.0725 and SFr 2.4675 from SFr 2.4950. Against the French franc it dipped to FFr 9.9500 from FFr 10.0375 but was unchanged in terms of the Japanese yen at Y229.5. On Bank of England figures, the pound's exchange rate index fell to 71.0 from 71.2 at the opening and 71.6 on Thursday night.

£ IN NEW YORK

Sept. 11	Latest	Prev. close
Spot	$1.4805-1.4815	$1.4650-4660
1 month	0.48-0.46 pm	0.46-0.45 pm
3 months	1.44-1.40 pm	1.42-1.39 pm
12 months	4.95-4.85 pm	4.90-4.80 pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Sept 12	Previous
8.30 am	71.2	71.4
9.00 am	71.1	71.4
10.00 am	71.0	71.4
11.00 am	71.1	71.4
Noon	71.1	71.4
1.00 pm	71.3	71.4
2.00 pm	71.4	71.4
3.00 pm	71.3	71.5
4.00 pm	71.0	71.6

CURRENCY RATES

Sept. 11	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.816663	0.687288
US $	5½	1.20172	1.01066
Canadian $	8.47	*	1.40178
Austria Sch	4	—	14.7758
Belgian Fr.	8	51.7641	43.5568
Danish Kr.	7	9.48157	7.96448
D'mark	3½	—	2.10318
Guilder	4½	2.82164	2.37312
French Fr.	9½	—	6.88258
Lira	12	—	1449.79
Yen	3½	187.889	157.511
Norway Kr.	8	—	7.48291
Span'h Pta.	—	—	137.146
Swedish Kr.	8	—	7.04883
Swiss Fr.	4	2.02430	1.70245
Greek Drch	20½	—	138.108
Irish Punt	—	—	0.76420

*C$/SDR rate for September 11: 1.67239

CURRENCY MOVEMENTS

Sept. 11	Bank of England Index	Morgan Guaranty Change %
Sterling	71.0	−21.6
U.S. Dollar	111.1	+8.3
Canadian Dollar	77.5	−12.8
Austrian Schilling	131.0	+8.2
Belgian Franc	96.6	−6.5
Danish Kroner	87.8	−0.3
Deutsche Mark	139.7	+17.9
Swiss Franc	167.4	+22.1
Guilder	129.1	+11.7
French Franc	69.5	−13.7
Lire	47.5	−16.2
Yen	216.3	+60.6

Morgan Guaranty changes: Averages 1980-82=100. Bank of England Index (base average 1975=100).

OTHER CURRENCIES

Sept. 12	£	$
Arg'tina	1.5380-1.5445	1.0430-1.0460
Aus'alia	2.3830-2.3870	1.6135-1.6150
Brazil	20.30-20.44	13.77-13.84
Finland	7.2865-7.3085	4.9430-4.9450
Greece	200.16-203.37	137.09-139.30
H'kong	11.5685-11.5806	7.8015-7.8035
Iran	112.80*	76.40*
Kuwait	0.4325-0.4340	0.2925-0.2935
Lux'burg	63.10-63.20	42.70-42.80
Malaysia	3.8100-3.8170	2.6000-2.6050
N'Z'land	3.0760-3.0860	2.0815-2.0875
Saudi Ar.	5.5405-5.5460	3.7475-3.7485
Sin'pore	3.1795-3.1850	2.1650-2.1700
SAf (Cm)	3.4700-3.4980	2.3560-2.3640
S.Af.(Fn)	6.4125-6.7045	4.3475-4.5455
U.A.E.	5.4295-5.4350	3.6725-3.6735

* selling rate

POUND SPOT—FORWARD AGAINST POUND

Sept 12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4550-1.4835	1.4765-1.4775	0.47-0.44c pm	3.70	1.45-1.40 pm	3.86
Canada	2.0237-2.0523	2.0440-2.0475	0.29-0.19c pm	1.41	0.79-0.63 pm	1.39
Nethlnd.	3.42¾-3.46	3.43-3.44	1¼-1⅛c pm	4.59	4⅜-3⅞ pm	4.73
Belgium	63.01-63.50	63.10-63.20	16-11c pm	2.57	47-37 pm	2.66
Denmark	11.52-11.59¼	11.53-11.54	1⅛-par ore pm	0.65	3-1½ pm	0.78
Ireland	1.1040-1.1190	1.1055-1.1065	par-0.10c dis	−0.54	0.10-0.30dis	−0.72
W. Ger.	3.03¾-3.06¾	3.04-3.06	1½-1¼pf pm	5.42	4⅜-4 pm	5.42
Portugal	216.50-221.56	219.10-220.80	98-154c dis	−6.87	248-424 dis	−6.11
Spain	198.06-201.05	199.06-200.00	37-70c dis	−3.22	70-135 dis	−2.06
Italy	2094½-2114¾	2099½-2100½	1-4lire dis	−1.43	4-9 dis	−1.24
Norway	10.84¾-10.89½	10.86½-10.87½	3½-4½ore dis	−4.35	11½-12¼ dis	−4.30
France	9.94-10.03½	9.94½-9.95½	2½-2c pm	2.71	6⅞-6⅛ pm	2.61
Sweden	10.23-10.26¾	10.25¾-10.26¾	¾-par ore pm	0.37	1¾-¾ pm	0.48
Japan	228¾-230½	229-230	1½-1¼y pm	5.23	3-2¾ pm	5.01
Austria	21.37-21.63	21.37-21.41	9-7¾gro pm	4.70	26¼-23¼ pm	4.63
Switz.	2.46¼-2.49	2.46¼-2.47¼	1¼-1c pm	5.47	3⅝-3¼ pm	5.67

Belgian rate is for convertible francs. Financial franc 63.75-63.85.
Six-month forward dollar 2.76-2.71c pm. 12-month 5.07-4.97c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Sept 12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4550-1.4835	1.4765-1.4775	0.47-0.44c pm	3.70	1.45-1.40 pm	3.86
Ireland†	1.3085-1.3363	1.3335-1.3350	0.45-0.35c pm	3.63	1.50-1.20 pm	4.08
Canada	1.3852-1.3882	1.3855-1.3865	0.28-0.29c dis	−2.38	0.85-0.90dis	−2.52
Nethlnd.	2.3180-2.3790	2.3255-2.3265	0.18-0.15c pm	0.84	0.55-0.50 pm	0.90
Belgium	42.68-43.55	42.70-42.80	3-5c dis	−1.11	10-15 dis	−1.16
Denmark	7.77-7.96¾	7.80¾-7.81¼	1.75-2.35ore dis	−3.13	5.80-6.50dis	−3.13
W. Ger.	2.0530-2.1030	2.0600-2.0610	0.29-0.26pf pm	1.59	0.86-0.81 pm	1.61
Portugal	146½-148½	147¼-147½	115-150c dis	−10.73	315-430dis	−10.06
Spain	134.90-137.46	134.90-135.20	55-80c dis	−6.39	185-215 dis	−5.88
Italy	1417-1451	1421¾-1422¼	5½-7lire dis	−5.24	17½-19½ dis	−5.17
Norway	7.34-7.46½	7.35½-7.36½	4.80-5.20ore dis	−8.11	15.1-15.5dis	−8.27
France	6.73-6.87½	6.73¾-6.74¼	0.55-0.65c dis	−1.06	2.05-2.25dis	−1.28
Sweden	6.93-7.04	6.94¼-6.94¾	1.85-2.05ore dis	−3.35	5.80-6.20dis	−3.44
Japan	154.80-157.35	155.25-155.35	0.19-0.14y pm	1.27	0.52-0.47 pm	1.27
Austria	14.46-14.78	14.50-14.55	1½-1gro pm	1.03	3½-2 pm	0.75
Switz.	1.6600-1.7075	1.6700-1.6710	0.29-0.24c pm	1.87	0.77-0.72 pm	1.75

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.
Belgian rate is for convertible francs. Financial franc 43.15-43.25.

EURO-CURRENCY INTEREST RATES

Sept. 12	Short term	7 Days notice	1 Month	Three Months	Six Months	One Year
Sterling	9⅛-9⅜	9⅛-9¾	9 13/16-9 15/16	9 13/16-10 1/16	10-10⅛	10-10⅛
U.S. Dollar	5 13/16-5 15/16	6-6⅛	5 15/16-6 1/16	5 15/16-6 1/16	6-6⅛	6⅛-6¼
Can Dollar	8-8¼	8-8¼	8⅛-8⅜	8¼-8½	8½-8¾	8¾-9
D Guilder	5⅛-5⅜	5⅛-5⅜	5¼-5⅜	5 5/16-5 7/16	5⅛-5¼	5⅛-5¼
Sw. Franc	1⅛-1¼	1⅛-1¼	4¼-4⅜	4¼-4⅜	4¼-4⅜	4¼-4⅜
Deutschmrk	4⅛-4⅜	4⅛-4⅜	4 7/16-4 9/16	4 7/16-4 9/16	4 7/16-4 9/16	4½-4⅝
Fr. Franc	7-7⅛	7-7⅛	7 1/16-7 3/16	7 1/16-7 3/16	7¼-7⅜	7½-7⅝
Italian Lira	10-11	10¼-11¾	10¾-11⅛	10⅞-11⅜	10⅞-11¼	10¾-11¼
B.Fr.(Fin)	7-7¼	7-7¼	7⅛-7⅜	7⅛-7⅜	7-7¼	7-7¼
B.Fr.(Con)	6⅞-7⅝	7-7½	7-7½	7-7½	7-7½	7-7½
Yen	4 13/16-5 1/16	4 15/16-5 1/16	5⅛-5¼	4 15/16-5 1/16	4⅞-5	4 13/16-4 15/16
D. Krone	9-9½	9½-10	9½-10	9¾-10¼	10-10½	10¼-10¾
Asian $ (Sng)	6-6⅛	6-6⅛	6 1/16-6 3/16	6 1/16-6 3/16	6 1/16-6 3/16	6¼-6⅜

Long-term Eurodollars: two years 6¾-7 per cent; three years 7⅛-7⅜ per cent; four years 7½-7⅝ per cent; five years 7 13/16-8 1/16 per cent nominal. Short-term rates are call for US dollars and Japanese yen; others, two days' notice.

EXCHANGE CROSS RATES

Sep. 12	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.477	3.045	229.5	9.950	2.468	3.435	2103.	2.048	63.15
$	0.677	1.	2.062	155.4	6.738	1.672	2.326	1422.	1.387	42.76
DM	0.328	0.485	1.	75.37	3.268	0.810	1.128	689.7	0.673	20.74
YEN	4.357	6.436	13.27	1000.	43.36	10.75	14.97	9150.	8.925	275.2
F Fr.	1.005	1.484	3.060	230.7	10.	2.480	3.452	2111.	2.058	63.47
S Fr.	0.405	0.599	1.234	93.01	4.032	1.	1.392	851.1	0.830	25.59
H Fl.	0.291	0.430	0.886	66.81	2.897	0.718	1.	611.4	0.596	18.38
Lira	0.475	0.703	1.450	109.3	4.738	1.175	1.636	1000.	0.975	30.07
C $	0.488	0.721	1.487	112.0	4.858	1.205	1.677	1025.	1.	30.83
B Fr.	1.584	2.339	4.822	363.4	15.75	3.907	5.439	3325.	3.243	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

MONEY MARKETS

UK interest rates firmer

INTEREST RATES were generally firmer in London yesterday with sterling's overall decline giving cause for concern. The fall came in line with a weaker dollar, following poor US retail sales figures and as a result, hopes of an early cut in UK base rates took another knock.

The authorities previous determination not to allow base rates to fall into single figures appeared to be gaining credibility although there were still some traders who were looking for a cut in rates before this Autumn's large privatisation issues. Three-month interbank money rose to 9 13/16-10 1/16 per cent from 9⅞-10 per cent. Weekend money opened at 9¼-9½ per cent and eased to a low of 4 per cent before finishing bid at 7 per cent.

UK clearing bank base lending rate 10 per cent since May 22

Dealers were quick to point out a change in mood with West Germany showing no sign of cutting its discount rate and a similar reluctance also exhibited by the Japanese authorities. In addition sterling's gentle but persistent decline was likely to cause concern sooner or later. The only bright spot, and that only the best of a bad job, was yesterday's rise in US retail sales below market expectations. This could produce renewed pressure on the Fed to cut its discount rate. UK retail prices released yesterday showed an unchanged inflation rate of 2.4 per cent and this was completely ignored by the market.

The Bank of England forecast a shortage of around £250m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £305m and a rise in the note circulation £265m. In addition banks brought forward balances £130m below target. These were partly offset by Exchequer transactions which added £465m. The forecast was revised to a shortage of around £300m and the Bank gave assistance in the afternoon of £294m through outright purchases of £20m of eligible bank bills in band 2 at 9 13/16 per cent and in band 3 £30m of Treasury bills and £46m of eligible bank bills all at 9¾ per cent. In band 4 it bought £30m of local authority bills and £168m of eligible bank bills at 9 11/16 per cent. There was no further assistance given in the afternoon.

At the weekly Treasury bill tender the average rate of discount rose to 9.6257 per cent from 9.4444 per cent. The £100m of bills on offer attracted bids of around £445.3m and all bills offered were alloted. The minimum accepted bid was £97.60, met as to about 71 per cent and above in full. Next week a further £100m will be on offer, replacing a similar amount of maturities.

FT LONDON INTERBANK FIXING

(11.00 a.m. September 12)

Three months US dollars		Six months US dollars	
bid 6	offer 6 1/16	bid 6 1/16	offer 6 3/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

Sept. 12	Ov'r-nig't	One Month	Two Months	Three Months	Six Months	Lombard In'v'ti'n
Frankfurt	4.35-4.45	4.35-4.50	4.35-4.50	4.35-4.50	4.35-4.50	5.5
Paris	7	7 1/16-7 3/16	7 1/16-7 3/16	7-7⅛	7-7⅛	7
Zurich	⅞-1⅛	4 1/16-4 3/16	—	4 1/16-4 3/16	—	—
Amsterdam	5⅜-5½	5¼-5⅜	—	5 3/16-5¼	—	—
Tokyo	4.59375	4.84375	—	N/A	—	—
Milan	11⅛-11½	10⅞-11¼	—	10¾-11⅛	—	—
Brussels	6.90	7⅛-7⅜	—	7⅛-7⅜	—	—
Dublin	9⅜-9⅝	9 13/16-9⅞	10 1/16-10 3/16	10 1/16-10 3/16	10½-10¾	—

LONDON MONEY RATES

September 12	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	4-8½	9⅛-9⅝	9¾-9⅞	9⅞-10 1/16	9 15/16-10⅛	9 15/16-10 1/16
Sterling CDs	—	—	9¾-9⅞	9 13/16-9 15/16	9 15/16-9 15/16	9 15/16-9⅞
Local Authority Depos	8¾-9½	9⅞	9 13/16-9⅞	9 15/16	9 15/16	9 15/16-10
Local Authority Bonds	—	—	10¼	10⅛	10⅛	10⅛
Discount Mkt. Depos	5-9¼	9¼-9½	9¾	9½	—	—
Company Depos	9½-10	9½-10	9 13/16-9⅞	9 15/16	9 15/16-10 1/16	10-10⅛
Finance House Depos	—	—	9⅞	10	10 1/16	10
Treasury Bills (Buy)	—	—	9	9 7/16	—	—
Bank Bills (Buy)	—	—	9 15/16	9 7/16	9 11/16	—
Fine Trade Bills (Buy)	—	—	10⅛	10 1/16	10⅛	—
Dollar CDs	—	—	6.00-6.05	5.85-5.90	5.85-5.90	6.05-6.10
SDR Linked Depos	—	—	6 1/16-6 3/16	6-6⅛	6-6¼	6⅛-6⅜
ECU Depos	—	—	7 1/16-7 3/16	7⅛-7¼	7-7⅛	7-7⅛

Treasury Bills (sell): one month 9 11/16 per cent; three months 9 9/16 per cent. Bank Bills (sell): one month 9 11/16 per cent; three months 9 9/16 per cent. Treasury Bills: Average tender rate of discount 9.6257 per cent. ECGD Fixed Finance Scheme IV reference date August 6 to September 2 (inclusive): 9.890 per cent. Local Authority and Finance Houses seven days' notice, others seven days' fixd. Finance Houses Base Rate 10 per cent from September 1, 1985. Bank Deposit Rates for sums at seven days' notice 4.35-4.375 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 10 per cent; one-three months 9¾ per cent; three-six months 9¾ per cent; six-nine months 9¾ per cent; nine-12 months 9¾ per cent. Under £100,000 9¾ per cent from August 21. Deposits held under Series 5 9½ per cent. Deposits withdrawn for cash 5½ per cent.

WORLD STOCK MARKETS

NEW YORK

WALL STREET

Battered by futures sell programmes

JOLTED BY Thursday's record shatering decline, Wall Street yesterday continued to be battered by waves of futures-related sell programmes before stabilising at a sharply lower level. Volume soared to a new high, breaking the record set Thursday.

A falling a further near 50 points, the Dow Jones Industrial Average partially recovered, with a closing loss of 34.17 to 1758.72, making the biggest ever one-week drop of 141.03, while the NYSE All Common index, at $132.81, lost $2.44 on the day and a record $11.08 on the week. Declines led advances by more than three-to-one. Volume rose to a record 242.29m shares from the previous peak of 237.6m set Thursday.

"The marekt was in a state of shock from Thursday," Gerald Simmons of Smith Barney said.

Programme trading was again a significant factor, and it was more volatile than Thursday, he said.

A series of futures-related sell programmes continued to pound at the market until a support level could be established in early afternoon.

Michael Metz, of Opuenheimer and Co, said: "The performance of the market has little to do with the economy at this point."

He said the "arena is dominated by arbitragers, portfolio managers and short-term scalpers with very few small investors left. And technical factors in the market are telling them it's a better time to sell than to buy."

A modest 0.8 per cent rise in August retail sales and a 0.3 per cent rise in wholesale prices calmed some inflation fears in the Bond market and spilled over to stocks, analysts said. But one analyst noted "that a lot of times the numbers don't even matter when you get something as emotional as in the past two trading sessions."

Oppenheimer's Metz noted that a number of stocks began to attract serious investors at their sharply reduced prices. Digital Equipment rose $1⅛ to $94¼, after falling $6¾ Thursday.

Other Computer companies also moved ahead. Honeywell moved up $4½ to $71½, while Control Data put on $1¾ to $27 on news it would spin-off its Commercial Credit Co.

THE AMERICAN SE Market Value indicator fell 3.08 to 257.24, for a fall of 17.66 on the week. Declines led advances 479 to 168 in a volume of 18.397m (17.39m) shares.

fell 18.60 to 3,002.30 after touching 2,986.40 earlier, Oil and Gas shed 9.1 to 2,763.4 but the Gold index moved up 125.0 to 5,008.5.

CANADA

Stocks steadied at lower levels at the close of active trading. Frenzied activity settled and prices rallied from the session lows.

The Toronto Composite index

TOKYO

Share prices plunged on heavy volume for the worst single-day trading loss on record in the wake of Thursday's historic 86.61 fall on the Dow Jones Industrial Average.

The Nikkei index of 225 selected stocks, which inched down 58.46 Thursday, dropped a further 460.73 to close at 18,100.52. The New index lost 35.82 to 1,498.87. Volume about 900m (1.2bn) shares. Declines outnumbered gains by 779 to 99.

Traders noted that a last-minute afternoon rally by some Constructions failed to offset the day's deep slide in share prices. The dogged performance of certain Construction, "highly-capitalised" and Utility Gas shares, however, managed to keep the Nikkei from closing lower than it might have.

Despite such bullish undertones, traders said Friday's plunge in Tokyo share prices was inextricably tied to the same worries about inflation, higher interest rates and sluggish economic growth which led to Thursday's debacle on Wall Street. Japanese investors are nervous about a rumoured delay in interest-rate reductions by the Central Banks of the US, Japan and West Germany, which were expected to drive share prices up by increasing the amount of liquidity entering the market. Thursday's concurrent drop in US Treasury prices, which sent US interest rates surging, was taken as another sign that higher inflation rates could be just around the corner, traders said.

HONG KONG

Prices tumbled in heavy trading in what brokers described as a long-overdue technical correction to a spate of recent gains that pushed the share market to its record high.

The Hang Seng index was down 31.59 at 1,966.33, from Thursday's record high of 1,997.92. Turnover HK$678.58m (HK$674.04m).

The police probe into the Wing On group in relation to the Wing On Bank raised concern over the banking sector and hurt sentiment. Wing On fell 27 cents to HK$1.48 and Wing On Holdings 35 cents to HK$2.35.

SINGAPORE

Share prices lost further ground in fairly moderate afternoon trading as sellers continued to dominate the scene.

The Straits Times Industrial index lost 6.22 to 834.21 and the SE All Share index 1.94 to 260.66. Turnover 17.2m (16.3m)

GERMANY

Broadly lower but above the worst. Losses were small compared with Thursday's plunges in the New York and Tokyo markets.

The Commerzbank index, which was compiled at midday, tumbled 54.2 to 2,035.7.

After a rebound in late trading, share prices ended about 3 per cent lower on average. Most issues were down less than DM 10, but some of the most actively traded equities were hit harder. Duetsche Bank tumbled DM 21.50 to 786.50 and Electronics company Siemens fell DM 13.10 to 692.

Brokers said the market's reaction to Thursday's record decline of 86.61 in the Dow Jones Industrial index was more subdued than in other European Stock Exchanges.

SWITZERLAND

Sharply lower on fairly high volume.

Markets opened lower, traded narrowly steady afterwards with several stocks closing above the day's low.

All shares of major Banks ended above the day's low. Insurances saw similar movements. Against the trend of lower Financials, both Adia shares traded steady after the announcement of an increase in dividends.

Swiss franc bonds closed down on moderate turnover.

AUSTRALIA

Stocks closed steady in heavy trading after widespread early selling in response to the sharp fall on Wall Street overnight.

Trading was mixed as moderate support for Resource issues and heavyweight Mines offset selling pressure among Industrials.

The All Ordinaries index edged up 0.4 to 1,235.9, after 1,229.9, the All Resources firmed 2.2 to 698.8 and Metals and Minerals 5.2 to 615.2. But the All Industrials index eased 2.1 to 1,944.5 and the Gold indicator 1.2 to 1,359.5.

News Corp went against the general trend, rising A$1.60 to a record A$28 on its record A$242.26m profit announcement.

JOHANNESBURG

Gold shares closed sharply firmer but off their day's high, extending their opening gains as the bullion price rose further on a steep retreat in the dollar after its surge late on Thursday.

The record one-day slump on Wall Street on Thursday on panic selling gave the gold price its initial boost as investors turned to gold bullion.

Mining Financials and other Minings mostly followed Golds.

CANADA

Stock	Sep. 12	Sep. 11
AMCA Intl	14¾	14¾
Abitibi	23½	23¾
Agnico Eagl	30	29
Alberta Energy	12	12⅛
Alcan Aluminium	43⅛	43¼
Algoma Steel	13⅝	13⅜
Bank Montreal	31¼	31⅛
Bank NovaScotia	15¼	15¼

Stock	Sep. 12	Sep. 11
Cambell Red L	28⅛	27⅜
Can. Cement Pt.	13⅜	13¼
Can. NW Energy	14¾	14¾
Can. Packers	16⅛	16⅛
Can. Trustco	46	46
Can. Imp. Bank	17¾	17⅞
Can Pacific	15⅝	15⅝
Can Tire C	14½	14⅜
Canfor	13⅞	13⅝
Carling O'Kfe	12⅝	12⅞
Chieftain	9⅝	9¾

Stock	Sep. 12	Sep. 11
Dome Petroleum	1.12	1.24
Domtar	31¾	34⅞
Falconbridge	19⅛	19⅝
Fed. Inds. A	17½	17¾
Gendis A	18¾	18⅝
Giant Y'knife	21⅛	21
Gt. West Life	7.90	7.90
Gulf Canada	14½	14⅝
Hawker Sid. Can	27	27⅛
Hudson's Bay	26⅝	27
Husky Oil	8¾	9

Stock	Sep. 12	Sep. 11
Macmil Bloedel	37¼	37¾
Magna Int	30¼	30½
Mcintyre Mines	38	38
Mitel Corpn	5⅞	5⅞
Molson A	25¼	25⅞
Moore Corp	30⅛	30⅞
Nat. Bank Can	27	27⅛
Noranda Inc	19½	19⅛
Norcen Energy	14¾	14⅞
Nth. Telecom	39½	39¾
Nova Alberta	5¼	5⅛
Numac Oil & G	9¼	9¼

Stock	Sep. 12	Sep. 11
Rand Stenh'se A	50	52½
Rio Algom	21⅛	21⅛
Royal Bank Can	31½	31½
Royal Trust A	31½	32½
Sceptre Res	2.75	2.75
Seagram	80⅜	80
Sears Can. A	12⅛	12
Shell Can. A	23⅜	25⅞
SHL System'hse	23	24½
Shelco A	22	21¾
Teck B	25⅝	25⅛
Texaco (Canada)	29⅛	29⅜

AUSTRIA

GERMANY

NORWAY

AUSTRALIA (continued)

JAPAN (continued)

BELGIUM/LUXEMBOURG

SPAIN

HONG KONG

SWEDEN

DENMARK

ITALY

SWITZERLAND

JAPAN

FRANCE

NETHERLANDS

SINGAPORE

AUSTRALIA

SOUTH AFRICA

NEW YORK INDICES

CANADA

NEW YORK ACTIVE STOCKS

مكتبة الأصيل

COMMODITIES AND AGRICULTURE

'Correction' trims $90 off platinum price

BY RICHARD MOONEY

PLATINUM was once again the biggest mover on the world's commodities market this week. After the spectacular rise which took the price to a 3½-year high at the end of last week precious metals traders finally reached the conclusion that the advance had gone far enough, for the time being at least; and that it was time for what they euphemistically termed "a correction."

The sell-off began cautiously with the London market recording a $10 a troy ounce fall on Monday, hardly denting the $140 rise of the preceding three weeks. But then the sellers got the bit between their teeth and the price dived $41.25 on Tuesday. A modest recovery was staged on Wednesday before the floodgates reopened on Thursday and the price plunged another $53.25 to $570 an ounce.

Traders were not dismayed, however. The market had become "over-extended on the upside," explained one analyst. He thought the correction was "healthy" and insisted that "the upward trend is still intact."

Thursday's fall had been part of a general market setback, sparked off by concern about the US inflation trend, which also involved stock markets, bond markets and stock index futures.

Yesterday the London platinum price bounced back somewhat to $582.50 an ounce, up $12.50 on the day but still $91.25 down on the week.

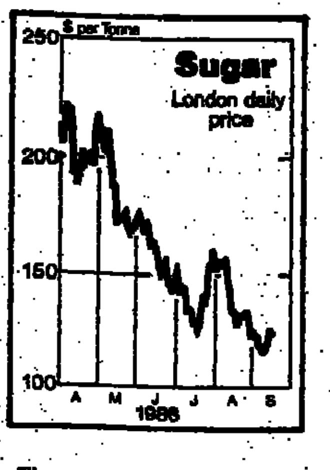
As has been the rule for some time the gold market's movements echoed those in platinum but on a much more modest scale. Having dipped to $403 a troy ounce on Thursday the London gold bullion market price recovered yesterday to $415.25 an ounce, down only $5.25 on the week.

On the London Metal Exchange most prices ended modestly higher on the week, reflecting a weaker sterling against the dollar. But zinc put on a spurt to reach the highest level since July last year.

The rise began in earnest on Wednesday, when hopes that renewed consumer demand in the autumn would find stocks low sparked off a burst of speculative buying which lifted the cash price by £16.50 a tonne. Bullish hopes were encouraged by a report from the International Lead and Zinc Study group which showed that non-socialist world mine output of zinc in July totalled 265,000 tonnes, taking the total for the year so far to 2.791m tonnes compared with 3.036m in the corresponding 1985 period.

That rise lifted the LME price into line with the European producers' selling price (EPP) of $880 a tonne and some analysts said a further increase in the EPP would be needed before the LME level could rise further.

That happened yesterday when most producers lifted their quotes to $920 a tonne, but the LME cash quotation edged lower on the day to finish the week £22 up on balance at £598 a tonne.



The recent review in the world sugar market, where hopes of an improvement in the supply/demand balance have been fading, continued long enough to push the London daily raws price (LDP) to a new 1986 low of $113 a tonne on Monday. But then the market staged a cautious rally which left the LDP $5.50 up on balance at $123.50 a tonne.

After losing ground early in the week cocoa futures were boosted by deepening concern about the effects on crops of dry continuing weather in West Africa and Brazil. And with charts beginning to take on a more bullish appearance nearby values climbed to six-month highs. The December position, which had dipped to £1,523 a tonne at one stage, ended £61.50 up on the week at £1,608.50 a tonne, after rising £51 yesterday.

The coffee market's performance was similar to cocoa's, except that its big rise came on Thursday.

Dry weather in Brazil was again the dominant factor as the November futures position moved up £27.50 to a five-month high of £2,394 a tonne.

US MARKETS

COCOA FUTURES rose strongly, with the leading December delivery breaking long-term resistance levels at $2,200 per tonne before settling $48 higher on the day. A limit-up move on the London market on renewed fears of crop damage to Ivory Coast plantings and reports that an interim agreement ahead of the official new ICCO pact made for a return to the firm tone of the cocoa market which had been interrupted this week by producer offerings. Gold led a recovery on the precious metals markets, closing $8.5 higher on the day on a mixture of technical bargain hunting and short-covering on news that the US Congress had finalised details of a sanctions policy and had forwarded the proposals to President Reagan for approval. December prices ended at a technically firm $421.5 per ounce, having tested $430.

NEW YORK

COCOA 10 tonnes, $/tonne

	Close	High	Low	Prev
Sept	2155	2155	2134	2095
Dec	2194	2205	2178	2148
March	2239	2248	2221	2188
May	2265	2260	2248	2215
July	2295	2290	2270	2233
Sept	2305	2310	2291	2260
Dec	2320	2320	2306	2278

COFFEE "C" 37,500 lbs, cents/lbs

	Close	High	Low	Prev
Sept	189.85	199.00	195.00	199.00
Dec	200.08	203.00	199.00	202.30
March	194.69	197.01	193.80	196.25
May	192.8	194.50	191.75	193.60
July	192.75	193.00	190.30	193.50
Dec	190.00	187.00	187.00	190.00

COPPER 25,000 lbs, cents/lbs

	Close	High	Low	Prev
Sept	60.20	60.55	60.10	59.90
Oct	60.35	—	—	60.45
Nov	[illegible]	[illegible]	[illegible]	[illegible]

SUGAR WORLD "11" 112,000 lbs, cents/lbs

	Close	High	Low	Prev
Oct	5.36	5.36	5.20	5.12
Jan	5.88	5.94	5.76	5.70
March	6.34	6.35	6.23	6.17
May	6.53	6.53	6.48	6.38
July	6.69	6.70	6.64	6.57
Oct	6.82	6.80	6.87	6.79

CHICAGO

LIVE CATTLE 40,000 lbs, cents/lbs — SOYABEANS 5,000 bu min, cents/60 lb bushel — SOYABEAN MEAL 100 tons, $/ton — SOYABEAN OIL 60,000 lbs, cents/lbs — WHEAT 5,000 bu min, cents/60lb-bushel — CRUDE OIL (LIGHT) 42,000 US gallons, $/barrel — HEATING OIL 42,000 US gallons, cents/US gallons — GOLD 100 troy oz, $/troy oz — ORANGE JUICE 15,000 lbs, cents/lbs — PORK BELLIES 38,000 lbs, cents/lbs — LIVE HOGS 30,000 lb, cents/lbs — PLATINUM 50 troy oz, $/troy oz — SILVER 5,000 troy oz, cents/troy oz — MAIZE 5,000 bu min, cents/56lb bushel — COTTON 50,000 lbs, cents/lbs

	Close	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SPOT PRICES—Chicago loose lard 13.00 (same) cents per pound. Handy and Harman silver bullion 576.0 (581.5) cents per troy ounce.

WEEKLY PRICE CHANGES

	Latest prices per tonne unless stated	Ch'nge on week	Year ago	1986 High	1986 Low
METALS					
Aluminium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Free Market c.i.f.	$1535/555	+15	[illegible]	[illegible]	[illegible]
Copper-Cash Grade A	£916	[illegible]	£1023.5	[illegible]	[illegible]
Gold per oz	$415.25	−5.25	$326.75	$430.5	$327.5
Lead Cash	£277.5	[illegible]	[illegible]	[illegible]	[illegible]
Nickel	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Palladium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Platinum per oz	$582.50	−91.25	[illegible]	[illegible]	[illegible]
Quicksilver	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Silver per oz	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tungsten	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Wolfram	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zinc cash	£598	+22	[illegible]	[illegible]	[illegible]
Producers	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GRAINS					
Barley Futures Nov.	£102.70	+0.35	£104.20	£118.60	£96.90
Maize French	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Wheat Futures Nov.	£107.80	[illegible]	£104.40	£121.45	[illegible]
SPICES					
Cloves	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pepper white	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pepper black	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OILS					
Coconut (Philippines)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Palm Malaysian	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SEEDS					
Copra (Philippines)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Soyabeans (U.S.)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OTHER COMMODITIES					
Cocoa Futures Dec.	£1608.5	+61	[illegible]	[illegible]	[illegible]
Coffee Futures Nov.	£2394	+27.5	[illegible]	[illegible]	[illegible]
Cotton Outlook A Index	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gas Oil Fut. Nov.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jute UA BWC grade	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Rubber kilo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sisal No. 3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sugar (Raw)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tea (quality) kilo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(low med) kilo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Wooltops 64s Super	389p kilo	+1	450p kilo	428p kilo	387p kilo

† Unquoted. (g) Madagascar. (w) Oct. (v) Nov. (x) Sept-Oct. (y) Oct-Nov.

INDICES

REUTERS

Sept 12	Sept 11	M'th ago	Year ago
1500.7	1497.4	1450.0	1740.1

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Sept 11	Sept 10	M'th ago	Year ago
Spot	121.27	121.95	—	111.52
Fut	122.27	122.70	—	113.04

(Base: December 31 1931=100)

COCOA

In active trading futures moved £58 higher and closed on a fully steady note. Physicals failed to react with both producers and consumers content to remain out of the market, reports Gill and Duffus.

COCOA	Yesterday's Close	+ or −	Business Done
Sept	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]

Sales: 5,520 (3,563) lots of 10 tonnes.

ICCO indicator prices (US cents per pound). Daily price for September 12: 104.44 (100.74); five-day average for September 15: 101.36 (100.85).

COFFEE

Continued trade support was seen with underlying physical interest, reports Drexel Burnham Lambert. Price-fixing and overseas buying maintained Thursday's recent highs for values to close mostly unchanged.

COFFEE	Yesterday's Close	+ or −	Business Done
Sept	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]

Sales: 6,720 (7,292) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for September 11: Comp. daily 1979 173.24 (177.86); 15-day average 175.65 (174.66).

SOYABEAN MEAL

	Yesterday's close	+ or −	Business done
	£ per tonne		
October	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]
October	[illegible]	[illegible]	[illegible]

Sales: 0 (22) lots of 20 tonnes.

GRAINS

Wheat steadied on merchant short-covering reflecting firm delivered values, but commission house selling eased values slightly. Barley found profit-taking on the sell side, reports T. G. Roddick.

	WHEAT Yesterday's close	+ or −	BARLEY Yest'rday's close	+ or −
Sept	105.40	[illegible]	105.75	[illegible]
Nov	107.80	[illegible]	102.70	[illegible]
Jan	110.05	[illegible]	110.70	[illegible]
Mar	112.60	[illegible]	112.85	[illegible]
May	115.05	[illegible]	115.25	[illegible]
July	117.50	[illegible]	—	

Business done—Wheat: Sept 107.15-5.90, Nov 108.15-7.40, Jan 110.35-10.30, Mar 112.60, May 115.00. Sales: 253 lots of 100 tonnes. Barley: Sept 106.50-6.75, Nov 103.20-2.70, Jan 111.05-10.40, Mar 113.20-2.80, May 114.50-4.20. Sales: 121 lots of 100 tonnes.

HGCA—Locational ex-farm spot prices. Feed barley: Eastern 105.00, E. Mids. 104.10, N. East 104.00, Scotland 102.50. The UK monetary co-efficient for the week beginning Monday September 22 (based on HGCA calculations using 3 days' exchange rates) is expected to remain unchanged.

LONDON GRAINS—Wheat: US dark northern spring No 1 15 per cent Oct 97.00, Nov 99.00. US No 2 soft red winter Oct 94.75, Nov 97.00. French 11½-12 per cent Sept 129.50. English feed fob Sept 110.00-111.00, Oct 111.00-112.00 buyer/seller, Dec 112.00 seller, Jan-March 115.75-116.50, April/June 118.50-119.00 buyer/seller. Maize: US No 3 yellow/French transhipment east coast Sept 153.00. Barley: English feed fob Sept 109.50 paid Peterhead. Sept 111.00 value south coast, Oct/Dec 113.00 seller, Oct/Dec 114.00-114.25 English/Scottish, Jan/March 117.00-117.50.

OIL

Trading in spot crude was minimal. November Brent commanded a premium of 5-10c over the neighbouring months. October WTI opened 4c up on Nymex and traded 5c to at 1.30 pm EDT after minimal trading during the US morning. In the petroleum products market naphtha trade was very quiet in directionless conditions. Gas oil firmed on a technical reaction on the futures markets in London and New York. Gasoline was assessed slightly weaker in thin pre-weekend trade. Fuel oil began to consolidate at a new level after the week's hectic trade—Petroleum Argus, London.

	Latest	Change + or −
CRUDE OIL—FOB ($ per barrel)—Oct.		
Arab Light	—	—
Arab Heavy	—	—
Dubai	[illegible]	[illegible]
Brent Blend	[illegible]	[illegible]
W.T.I. (1pm est)	[illegible]	[illegible]
Forcados (Nigeria)	[illegible]	[illegible]
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	[illegible]	[illegible]
Gas Oil	[illegible]	[illegible]
Heavy fuel oil	[illegible]	[illegible]
Naphtha	119-120	+0.5

Petroleum Argus estimates.

GAS OIL FUTURES

Month	Yesterday's Close	+ or −	Business Done
	US $ per tonne		
Oct	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]

Turnover: 4,179 (3,234) lots of 100 tonnes.

FREIGHT FUTURES

	Close	High/Low	Prev.
Dry Cargo			
Oct.	[illegible]	[illegible]	[illegible]
Jan.	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]
Oct.	[illegible]	[illegible]	[illegible]
Jan.	[illegible]	[illegible]	[illegible]
BFI	[illegible]	[illegible]	[illegible]

Turnover: 44 (182).

	Close	High/Low	Prev.
Tankers			
Sep.	[illegible]	[illegible]	[illegible]
Oct.	[illegible]	[illegible]	[illegible]
Dec.	[illegible]	[illegible]	[illegible]
Mar.	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]
BFI	[illegible]	[illegible]	[illegible]

Turnover: 9 (8).

RUBBER

PHYSICALS—Closing prices (buyers): Spot 62.50p (62.00p), Oct 62.00p (61.50p), Nov 62.00p (61.50p). The Kuala Lumpur fob price (Malaysian cents per kilo): RSS No 1 222.0 (221.0) and SMR 20 197.0 (183.0).

FUTURES—Index 624, Oct 596-622, Oct/Dec 612-626, Jan/March 605-622, April/June 635-648, July/Sept 637-650. Sales: 0.

POTATOES

Follow-through selling from Thursday's close and a weaker physical quote resulted in losses of £3.00. Volume of business transacted below £160.00 was thin as the support of the past four days in this area reasserted itself and by the close the market had recovered, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Nov	110.10	112.50	111.90-110.00
Feb	123.00	125.00	—
Apr	160.60	163.10	162.50-159.50
May	180.50	178.00	177.00
Nov	85.00	85.00	—

Sales: 568 (1,157) lots of 40 tonnes.

MEAT

	LIVE CATTLE Yest'days close	+ or −	LIVE PIGS Yest'days close	+ or −
Sept	95.00	−0.20	—	—
Oct	97.50	+0.90	104.50	+0.20
Nov	100.00	+1.00	105.80	−0.30
Feb	100.00	—	98.50	—
Apr	100.00	—	99.50	+0.10

Cattle sales: 0 (0) lots of 5,000 kg. Pig sales: 0 (0) lots of 3,250 kg.

SUGAR

LONDON DAILY PRICE—Raw sugar $123.50 (£84.00), down $2.50 (£1.00) a tonne for September-October delivery. White sugar $179.50, down $2.50.

No. 6 Contract	Yest'rdy's close	Previous close	Business done
	$ per tonne		
Oct	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]

Sales: 1,865 (2,848) lots of 50 tonnes.

Tate & Lyle delivery price for granulated basis sugar was £185.50 (£185.50) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports.) Prices for September 11: Daily price 4.88 (4.77); 15-day average 4.77 (4.79).

PARIS—(FFr per tonne): Oct 1175-1185, Dec 1185-1190, March 1222-1223, May 1246-1256, Aug 1280-1282, Oct 1320-1330.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	831-3	−3.0	832/830
3 months	808-9	−0.75	810/801

Official closing (am): Cash 829.5-30.5 (818-9), three months 807-7.5 (792.5-4), settlement 830.5 (819). Final Kerb close: 802.3. Turnover: 19,975 tonnes.

COPPER

Grade A	Unofficial close	+ or −	High/low
Cash	915.5-6.5	+10	916/912
3 months	933.5-4	+1.0	940/932

Official closing (am): Cash 918-8.5 (897-8), three months 911-3 (908-10), settlement 918.5 (915). Final Kerb close: 933.5-4.

Standard			
Cash	888-92	+2.75	890/890
3 months	910-4	+1.0	912/912

Official closing (am): Cash 891-2 (887-9), three months 911-3 (909-10), settlement 892 (889). US Producer prices 66.00-67.00 cents per lb. Total turnover: 17,675 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	277-8	−1.0	
3 months	281-1.5	−1.0	285/279

Official closing (am): Cash 280-0.25 (274.5-5), three months 283-3.25 (280-1), settlement 280.25 (275). Final Kerb close: 278-80. Turnover: 4,800 tonnes. US Spot: 23.0-24.0 cents per lb.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	[illegible]	[illegible]	
3 months	[illegible]	[illegible]	[illegible]

Official closing (am): Cash 2,515-20 (2,510-20), three months 2,560-5 (2,560-1), settlement 2,520 (2,520). Final Kerb close: 2,560-5. Turnover: 714 tonnes. Kuala Lumpur Tin Markets: Close 14.09 (14.11) ringgit per kg. Down 0.02 ringgit per kg.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	597.5-8.5	−0.5	—
3 months	600-0.5	−3.25	609/597

Official closing (am): Cash 600-1 (596-600), three months 603-4 (604-4.5), settlement 601 (600). Final Kerb close: 600-1. Turnover: 16,350 tonnes. US Prime Western: 40.0-47.50 cents per lb.

GOLD

Gold rose $12¼ an ounce from Thursday's close in the London bullion market yesterday to finish at $414¾-416. It opened at $414-415 and rose to a high of $423-425 against a background of falling equities and a lower dollar. However profit taking set in ahead of the weekend and gold slid back to finish near to the day's low of $413-414.

GOLD BULLION (fine ounce) Sept. 12		
Close	$414¾-416	(£282¾-283¼)
Opening	$414-415	(£282½-283¼)
M'ng fix	$419.75	(£285.838)
Aft'n'n fix	$419.50	(£283.538)

GOLD AND PLATINUM COINS

Kr'g'rnd	$415-419	(£283-286)
½ Krug	[illegible]	[illegible]
¼ Krug	[illegible]	[illegible]
1/10 Krug	[illegible]	[illegible]
Mapleleaf	[illegible]	[illegible]
Angel	[illegible]	[illegible]
1/10 Angel	[illegible]	[illegible]
New Sov.	[illegible]	[illegible]
½ New Sov.	[illegible]	[illegible]
$20 Eagle	[illegible]	[illegible]
Noble Plat	[illegible]	[illegible]

SILVER

Silver was fixed 11.15p an ounce higher for spot delivery in the London bullion market yesterday at 392.5p. US cent equivalents of the fixing levels were: spot 577.55c, up 12.65c; three-month 585.9c, up 12.6c; six-month 594.25c, up 12.5c; and 12-month 611.05c, up 11.55c. The metal opened at 387-389p (569-572c) and closed at 390-391½p (576-578c).

SILVER per troy oz	Bullion Fixing Price	+ or −	L.M.E. p.m. Unoffic'l	+ or −
Spot	392.50p	+11.15	[illegible]	[illegible]
3 months	401.75p	+11.2	[illegible]	[illegible]
6 months	411.20p	+11.0	—	
12 months	429.70p	+11.1	—	

LME — Turnover: 38 (34) lots of 10,000 oz. Three months high 401p, low 398.5p, final kerb 398-9p.

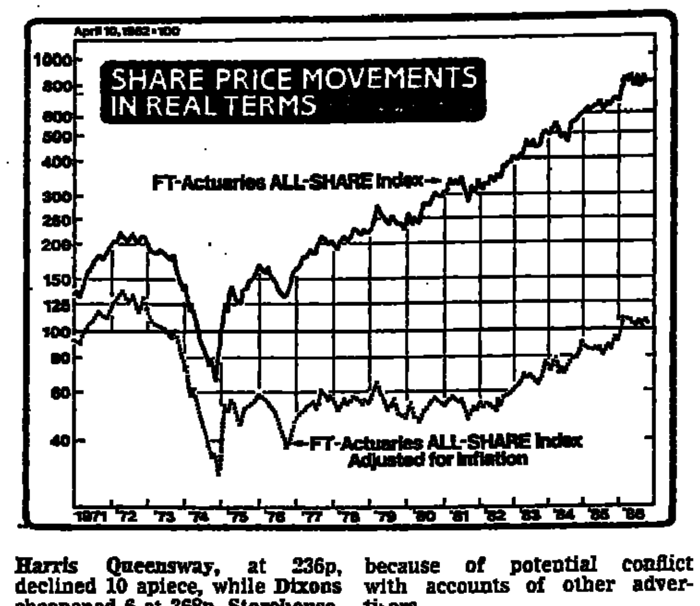
LONDON STOCK EXCHANGE

Wild price gyrations follow Wall Street slide

Account Dealing Dates

First Dealings	Option Declarations	Last Dealings	Account Day
Sept 1	Sept 11	Sept 12	Sept 22
Sept 15	Sept 25	Sept 26	Oct 6
Sept 29	Oct 9	Oct 10	Oct 20

* "New-time" dealings may take place from 9.30 am two business days earlier.



The high drama on Wall Street produced wild price gyrations and a constant change of mood in London markets yesterday. Sentiment was completely dominated by news likely to influence the US market and feelings ranged from initial depression to mid-afternoon relief and then to total perplexity. Heavy bouts of selling and buying brought chaotic scenes to the two main investment sectors, and left dealers and investors dazed.

Wall Street's largest-ever points drop overnight on heightening concern over inflation and fears of higher interest rates caused London traders to prepare for a bad day. Aggressive professional liquidation together with a spate of selling from nervous private investors soon exacted a heavy toll. The FT indices captured the emotionally-charged atmosphere, showing record inter-day falls with the FT-SE 100 share index standing 44 points down at 1.28 pm.

The market was then waiting anxiously for the announcement of the US retail sales figure for August. Recent speculation that the increase could be as high as 4 per cent and provide evidence of a strenghtening economy was totally misleading for the rise was only 0.8 per cent.

Share values immediately initiated a strong recovery on hopes that Wall Street would respond similarly. In the event, the Dow Jones index dived 55 points more amid further programme unwinding and on negative market sentiment. London was completely baffled and once again the FT indices moved lower. Although the US market did reverse the early slide in the later business, leading shares encountered little unpenalised demand for the new trading Account starting on Monday. The upshot was that the FT-SE index closed 27.9 lower at 1,608.6. The FT Ordinary share index dropped 27.3 more to 1,270.9.

Gilt-edged stocks were equally erratic and longer issues fluctuated within a range of nearly three points. Gilt futures were even more volatile but both the paper and cash markets rallied well. Interest was particularly brisk after the US retail sales news and selected longs jumped two points from their low early levels before easing back later. Treasury 13¾ per cent 2004-08, for example moved between 127¾ and 130¼ before settling after-hours at 129¼.

NatWest dull

Reports of a large line of shares overhanging the market depressed NatWest which ended a volatile session 15 lower at 532p, after 552p. Other clearers reacted from a firm start with Barclays 4 off at 494p, after 502p, and Midland a few pence easier at 574p, after 584p. Elsewhere, further profit-taking in the absence of the rumoured overseas bid left Kleinwort Benson down 15 more at 775p.

Composite Insurances succumbed to the malaise. Royals lost 18 at 844p as did General Accident at 844p, while GRE relinquished 14 at 824p. Among dull Lloyds Brokers, Stewart Wrightson gave up 13 to 420p ahead of Tuesday's interim results. Elsewhere, Equity and Law, a good market earlier this week on revived takeover chatter, dropped 10 to 267p following end-Account profit-taking. Prudential, still reflecting the disappointing interim figures, declined 17 more making a fall of 58 on the week at 850p.

Guinness ended an eventful week 8 lower at 328p; the shares touched 348p at one stage immediately after Thursday's extra-ordinary general meeting at which shareholders gave their approval to the proposed new boar dstructure. Belhaven eased a few pence, but still closed 6 higher on the week at 69p following talk that Somportex had sold its 10 per cent stake in the company to Mr Tony Cole's Bestwood for 75p per share.

Marked sharply lower at the outset, Leading Buildings traded in erratic fashion before closing some way above the day's lowest levels. Among Cements, Blue Circle and Rugby Portland Cement faced the additional burden of news that Greece had rejected a request to curtail cement exports to the UK; BCI, after dipping to 538p at one stage, rallied after hours to close only 7 off at 545p. Rugby Portland settled 5 lower at 155p, after 154p. BPB Industries lost 10 at 495p, as did RMC, at 652p. Tarmac, interim results due on September 22, were finally 8 down at 480p, after 476p. Costain continued to reflect disappointment with the half-year figures and shed 14 more to 530p, a fall of 54 over the five-day period. John Laing, also unsettled by lower-than-expected interim profits earlier in the week, gave up 8 to 406p. An isolated bright spot was provided by George Dew which gained 8 to 122p on takeover hopes.

ICI were sold down to £10⅞ before lifting off the bottom to close only an ⅛ off at £10¼. Laporte lost 7 at 375p and Wardle Storeys shed 10 to 355p.

Leading Stores passed an extremely volatile session and closed widely lower on balance. Woolworth, unsettled of late by reports that Dixons is on the verge of selling its stake in the company for around 600p per share, succumbed to renewed selling and dropped to 640p before closing only 5 easier on balance at 655p; the interim results are scheduled for Wednesday. Burton, at 288p, and Harris Queensway, at 236p, declined 10 apiece, while Dixons cheapened 6 at 368p. Storehouse, however, improved to 345p in the wake of a Rowe and Pitman "buy" circular, but later reacted to 338p before closing unaltered at the overnight level of 343p. Double-figured falls littered secondary issues. French Connection declined 15 at 135p and Moss Bros lost 20 at 510p.

Leading Electricals failed to escape the general malaise. BICC, which announced disappointing interim figures on Wednesday, fell 8 further to 260p making a loss of 30 on the week. British Telecom eased 6 to 188p and Plessey closed a similar amount cheaper at 174p. Cable and Wireless ended a little above the worst with a fall of 11 at 307p, while Thorn EMI settled 7 down at 494p. Elsewhere, Amstrad, which dipped to 120p in the early dealings, rallied smartly with the aid of option business to close only 4 down on the day at 132p. Stone International, a recent speculative favourite, dipped 11 to 159p.

Leading Engineers followed the general trend, with Hawker finishing 16 lower at 493p, having been down to 489p at one stage. GKN settled 9 lower at 268p and Vickers 8 down at 413p. Losses in secondary issues were usually limited to around 10. Whessoe fell that amount to 94p, while Glynwed dipped 8 to 308p and 600 Group 7 to 100p. Howden, still reflecting the chairman's warning on the outlook, eased 3 more to 90p. Delta lost 7 to 173p after the interim figures.

Foods usually closed a few pence above the worst. Cadbury Schweppes were finally 4 off at 172p, after 171p, and Rowntree Mackintosh 7 cheaper at 375p, after 370p. Tate and Lyle, after dipping to 605p, picked up to close only 5 down on balance at 610p. Unigate, however, were dull throughout and finished 11 lower at 292p, while Northern Foods lost 8 to 278p and United Biscuits shed 7 to 241p. Retailers sustained some fairly hefty falls with Tesco 12 down at 400p, Argyll 11 lower at 330p and J. Sainsbury 8 off at 410p. Elsewhere, Blue Bird Confectionery gained 12 to 110p following the agreed 112p per share cash offer worth £4.1m from Hillsdown Holdings, 5 cheaper at 305p, after 300p. Fitch Lovell were persistently sold at closed 14 down at 243p, while Christian Salveson shed 5 to 148p.

The late rally extended to the Hotel sector with Ladbroke recovering from 345p to close 6 off at 350p. Grand Metropolitan were finally 4 cheaper at 392p and Trusthouse Forte 6 lower at 142p. London Park Hotels shed 5 to 555p and Ryan Hotels 2½ to 28p following the respective interim trading statements.

Glaxo fall

Leading miscellaneous industrials fluctuated wildly before settling with falls extending to 10 and occasionally more. Glaxo, down to 935p at one stage, ended 45 lower at 940p, while Beecham, the subject of speculative activity on Thursday, finished 13 lower at 400p. Falls of 8 were common to BOC, 323p, and BTR, 300p. Hanson fell 6 to 187½p and Reed International 12 to 268p. Widespread losses were recorded elsewhere in the sector, but there were still several bright spots. Thermax resisted the trend, closing 6 higher at 138p amid bid speculation, while DSC rose 9 to 55p enlivened by the proposed sale of a subsidiary which accompanied the announcement of the interim figures. Benlox closed 4 higher at 47p on the news that Chessminster has increased its holding to approximately 23.7 per cent and the proposed J. Joslin deal. In marked contrast, lower interim profits left Huntleigh Technology 10 down at 225p, while the sharply increased half-year loss prompted a reaction of 8 to 37p in Sharna Ware. Pentland Industries were actively traded before settling 30 down on the day at 425p. Cookson fell 13 to 490p, while Fisons, interim figures expected next Tuesday, gave up 15 to 598p. Falls of around 10 were recorded in British Aerospace, 460p, and Booker, 337p. Still reflecting fading bid hopes, AGB Research lost 6 more to 171p.

AE plummeted 26 to 203p on the after-hours' announcement that the unwelcome bid from Turner and Newall had lapsed; T & N closed 12 off at 187p. Elsewhere in Motors, Jaguar dropped 18 to 506p, after 500p, on US influences, while Lucas continued to reflect worries of further industrial action with a fresh fall of 5 to 518p.

Early confirmation of the strongly rumoured bid from Lowe Howard-Spink Bell helped Good Relations advance 15 more making a jump of 40 on the week at 148p. Saatchi and Saatchi fell 20 to 675p, after 665p, on further consideration of the company's revelation that it has lost over £34m of annual business from Practor and Gamble, its largest single client, because of potential conflict with accounts of other advertisers.

Leading Properties made a relatively steady start, but subsequently fell away as sellers appeared. Closing levels were usually the day's lowest with Land Securities down 8 at 310p and MEPC a further 12 lower at 313p. Great Portland Estates finished 8 off at 172p, while Hammerson A lost 10 to close at a year's low of 400p. Elsewhere, Marler Estates, a firm market recently on Glen International takeover hopes, encountered profit-taking and dipped 15 to 540p. Abaco were sold down to 71p at one stage before the close of 4 down on balance at 75p. Laing Properties shed 7 to 278p, as did Centrovincial Estates, to 178p. Mountleigh held steady at £10¼; the company has acquired the Hoover building in Western Avenue, London.

In Textiles, Courtaulds closed 10 lower at 272p and John Crowther 11 down at 169p; the latter's interim results are scheduled for Tuesday. Harold Ingram cheapened 13 to 155p on the announcement that HRW Estates had reduced its stake in the company. Awaiting further news of the bid discussions, Burmatex eased 6 at 216p.

Heavy losses were sustained by Investment Trusts. Throgmorton closed 18 down at 280p. Berry Trust, however, softened only a couple of pence to 248p following news that the bid from Ensign had lapsed.

Titaghur Jute initially continued its remarkable response to recent publicity given to Gauri Shanker's stake in the company and touched a record high of £3 before reacting on profit-taking to end the session 50 lower, but still 109 up on the week at 200p.

The dramatic events on international stock markets gave an aded impetus to recently buoyant mining markets. The slide in platinum prices earlier in the week, largely regarded as an over-reaction to the previous price upsurge and the imposition of increased margin payments on futures activity, in New York, was arrested and the platinum price touched $600 in London before easing back a shade. Bullion, meanwhile, opened sharply higher at $419 and fell back to $414 prior to closing a net $12.25 up on the day at $415.25. Over the week platinum showed a decline of around $70 while bullion was some $5 lower.

The overnight record fall on Wall Street was accompanied by strong US buying of South African Golds which continued to make progress during initial trading in London. Johannesburg dealers were heavy buyers in the morning, as were London operators, but prices turned easier in mid-session on the appearance of persistent profit-taking from the Continent, notably Switzerland. The market did little more than mark time in late afternoon trading when American investors were said to be small sellers on balance. The Gold Mines index jumped 17.4 to 314.8, leaving the measure with a 6.2 gain over the week.

Platinums mirrored the recovery movement in the metal price and Rustenburg put on 25 to 820p. Impala, despite reported switching into the former, settled 15 higher at 775p. Consolidated Gold Fields attracted persistent London buying interest throughout the day and posted a 6 gain at 540p ahead of Tuesday's preliminary results, while RTZ, scheduled to announce interim figures on Thursday, rose 7 to 611p.

Australians mining markets shrugged off Wall Street's record fall and posted further good gains overnight with Golds well supported. During London trading the gold stocks gained further ground led by Central Norseman, up 32 at 559p.

Mountleigh buys Hoover building

THE HOOVER building on London's Western Avenue, one of Britain's most decorative industrial headquarters and a landmark since the 1930s, has been sold to Mountleigh, the fast-growing development group.

The art deco building was hastily listed for its architectural quality by the Government several years ago following uproar over the demolition of the Firestone building, another scheme by architect Wallace Gilbert.

The building's future seems assured as part of a redevelopment of the 8.6 acre site, although Mountleigh says it has yet to work out detailed plans.

Hoover ceased manufacturing on the site in 1982. The headquarters staff of about 450 may be offered work by Mountleigh when redevelopment is complete and after Hoover has decided on the relocation of administrative, technical and marketing functions.

STOCK EXCHANGE DEALINGS

Details of business shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission. Details relate to those securities not included in the FT Share Information services. Unless otherwise indicated, denominations are 25p and prices are in pence. The prices are those at which the business was done in the 24 hours up to 3.30 pm on Thursday and settled through the Stock Exchange Talisman system; they are not in order of execution but in ascending order which denotes the day's highest and lowest dealing prices. For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.
‡ Bargains at special prices. ● Bargains done the previous day. Δ Bargains done with non-member or executed in overseas markets.

CORPORATION & COUNTY

UK PUBLIC BOARDS

FOREIGN STOCKS (coupons payable in London)

STERLING ISSUES BY OVERSEAS BORROWERS

BANKS, DISCOUNT

BREWERIES

COMMERCIAL, INDUSTRIAL

A—B

C—D

E—F

G—H

I—K

L—M

N—O

P

Q—S

T—U—V

W—Y—Z

INSURANCE

INVESTMENT TRUSTS

UNIT TRUSTS

MINES—MISCELLANEOUS

MINES—SOUTH AFRICAN

OIL

PROPERTY

FINANCIAL TRUSTS

PLANTATIONS

RAILWAYS

SHIPPING

UTILITIES

WATERWORKS

Bristol 4.9pc £50. 3.5pc £47 (10/9)
Cambridge 7¼pcDb 1988-90 £90½ (8/9)
Chester 3.15pc £30 (5/9)
Colne Valley 3.5pc £43 ¼ (5/9). 4.9pc £52
East Anglian 3.5pc £40 7. 7¼pcDb 1991-1992 £83¼ (5/9)

UNLISTED SECURITIES MARKET

Fergebrook Gp 12pcCnvLn 1992-97 £107 (9/9)
Ford Weston Gp (5p) 88 (10/9)
Gibbs Mew 155 (8/9)
Gould (Laurence) 107 (8/9)
Guernsey Atlantic Secs Tst (£1) 179¼ 81 (5/9)
Marlon Development Gp (50p) 90 3
Newage Transmissions New (5p) 76 7 ½ 8 9
Omnitech (10p) 30 (10/9)
Parkfield Gp 7pcCnvPf (£1) 195 (5/9)
Pavion Internl 11pcCnvLn 1994-2002 £75●
Perkins (John) Meats (10p) (10/9)
Property Tst A (1p) 5½ ¾
Sigmex Internl (10p) 63● 5●
Smallbone (10p) 157 (9/9)
TV-am (10p) 170 1 ½ 2 3‡

SPECIAL LIST

RULE 534 (4) (a)

Bargains marked in securities where principal market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List

Dresdner Bank DM 435.0 440.0
Dulker Expln 350 65
Eastmet 76 (10/9)
Eurounion £49 (8/9)
Golconda Minerals 36● 33
Goodyear Tire & Rubber £23½● (10/9)
Hang Lung Development 73● (9/9)
Hang Seng Bank 270 (9/9)
Heoma North West 3½
Hadtoqen Energy 89‡
Haw Par Bros Int (Singapore Reg) 95 (5/9)
Heineken £57● (10/9)
Heinz (H.J.) £29⅛● (10/9)
Hewlett-Packard £31⅞
Highveld Steel & Vanadium 110 (8/9)
Hill 50 Gold Mines 19

RULE 535 (2)

Applications granted for specific bargains in securities not listed on any exchange

Town & Country Bldg Soc 11⅞pcBds £99.976
Thwaites (Daniel) (£1) 600 3 (8/9)
UTC Trading Corp (5p) 19½ 20 (10/9)
Wadworth 9¼pcPf (£1) 110 ¼ (8/9)
Wistech (1p) 10 1½ (11/9)
Wolverhampton Racecourse 165 8 70 (8/9)
Wynstay Props 92 (11/9)

RULE 535 (3)

Dealings for approved companies engaged solely in mineral exploration

Kenmare Oil Explo (Ir£0.25) 8 (10/9)

By permission of The Stock Exchange Council)

FINANCIAL TIMES STOCK INDICES

	Sept 12	Sept 11	Sept 10	Sept 9	Sept 8	year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	86.74	87.01	87.62	87.48	87.76	82.94	94.51 (18/4)	80.39 (20/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	93.16	94.00	94.17	94.24	94.25	88.33	97.68 (7/7)	86.55 (23/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,270.9	1,298.2	1,317.9	1,331.1	1,323.7	1,011.9	1,425.9 (3/4)	1,094.3 (14/1)	1,425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	314.8	297.4	297.3	302.6	315.4	317.3	357.0 (27/1)	185.7 (18/7)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.37	4.28	4.21	4.15	4.17	4.71				
Earnings Yld.%(full)	10.07	9.84	9.66	9.57	9.60	11.54				
P/E Ratio (net) (*)	12.18	12.46	12.71	12.83	12.79	10.73				
Total Bargains (Est)	22,687	21,468	21,609	21,711	19,663	23,742				
Equity Turnover £m.	—	644.03	623.30	594.86	422.96	530.65				
Equity Bargains	—	22,834	22,260	23,095	23,225	21,356				
Shares Traded (ml).	—	290.8	265.0	233.7	194.1	245.7				

S.E. ACTIVITY

Indices	Sept. 11	Sept. 10
Gilt Edged Bargains	101.6	119.2
Equity Bargains	147.9	144.2
Equity Value	1301.7	1259.8
5-Day Average		
Gilt Edged Bargains	113.9	116.1
Equity Bargains	148.6	148.4
Equity Value	1136.8	1128.5

♥ Opening 1276.6 | 10 a.m. 1278.1 | 11 a.m. 1276.2 | Noon 1266.8 | 1 p.m. 1263.1 | 2 p.m. 1278.0 | 3 p.m. 1280.3 | 4 p.m. 1268.9

Day's High 1287.2. Day's Low 1262.2.

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=11.69.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

THURSDAY'S ACTIVE STOCKS

Based on bargains recorded in SE Official List

Stock	No. of changes	Thurs. close	Day's change	Stock	No. of changes	Thurs. close	Day's change
AE	23	229	−13	Guinness	18	336	− 2
BAT Inds	21	438	−17	RTZ	18	604	−30
Beecham	21	413	+ 5	Nth Kalgurli	17	53	− 0½
Raine Inds	21	80	+ 6	Amstrad	16	136	− 1
Glaxo	19	985	−15	ICI	16	£10½	− 0⅛
Lond. and Nthn	19	84	+ 4	Rowntree Mack	16	382	−33

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change	Stock	Closing price	Day's change
Amstrad	134	− 2	Glaxo	940	−45
BAT Industries	440	+ 2	ICI	£10⅝	− 0⅛
Beecham	400	−13	NatWest Bank	532	−15
Boots	219	− 2	Pentland Industries	425	−30
BP	655	—	Saatchi and Saatchi	675	−20
Cons. Gold Fields	540	+ 6	Shell Transport	890	−18

5-DAY ACTIVE STOCKS

Based on bargains over the five-day period ending Thursday

Stock	No. of changes	Last Thurs. close	Change on week	Stock	No. of changes	Last Thurs. close	Change on week
Glaxo	129	985	−52	Brit Telecom	99	194	− 4
BP	127	655	−15	Cons Gld Flds	94	534	− 5
BAT Inds	113	438	+16	BTR	90	308	−12
Shell Trans	107	908	−45	Cable and Wire	90	318	−17
ICI	104	£10½	− 0⅛	Nth. Kalgurli	88	53	+ 3
Brit Aerospace	99	471	−30	Lloyds Bank	83	445	−10

OPTIONS

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
Aug 18	Sept 5	Nov 20	Dec 1
Sept 8	Sept 19	Dec 4	Dec 15
Sept 22	Oct 3	Dec 18	Dec 29

For rate indications see end of Unit Trust Service

Calls were taken out in Turner and Newall, Amstrad, Ferranti, Consolidated Gold Fields, Audiotronic, North Kalgurli, Leisuretime International, P. and W. Maclellan, Banro, Babcock, Pentland Industries, Palma Group, Dewey Warren, Hillards, Ibstock Johnsen, Stroud Riley, Trent Holdings, Fitzwilliam, Body Shop, British Benzol, Freshbake, Barrow Hepburn, AGB Research, Premier Consolidated, T. Marshall (Loxley), and Raine Industries. No put or double options were reported.

RISES AND FALLS YESTERDAY

	Yesterday Rises	Yesterday Falls	Yesterday Same	On the week Rises	On the week Falls	On the week Same
British Funds	0	100	13	76	413	80
Corporations, Dom. and Foreign Bonds	0	29	39	24	106	210
Industrials	75	1,028	422	1,044	2,284	4,287
Financial and Properties	21	405	153	373	893	1,629
Oils	9	58	47	85	194	311
Plantations	0	1	13	4	6	60
Mines	84	21	80	283	240	392
Others	9	139	47	199	390	377
Totals	198	1,781	814	2,078	4,528	7,356

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (35)

CANADIANS (1) Inland Natural Gas. BUILDINGS (2) Dew (George), Sindall (Wm.). STORES (3) Body Shop Intl., S. & U. Stores 31½pcPf., T. & S. Stores. ELECTRICALS (1) Alphameric. ENGINEERING (2) Downiebrae, Wood (S.W.). FOODS (2) Appletree, M6 Cash & Carry. HOTELS (1) Norscot. INDUSTRIALS (6) DSC Hldgs., Elbar Indl., Lilleshall, Oriflame Intl., Scott Greenham, Stat-Plus. INSURANCE (1) USLIFE Corp. NEWSPAPERS (1) News Intl. Spec Div. PROPERTY (1) Trust of Property. TRUSTS (1) Archimedes Cap. OILS (1) Global Natural Resources. MINES (1) East Rand Porp., Deelkraal, Hartebeest, Welkom Gold, Middle Wits., ACM, Brunswick, Forsayth, GM Kalgoorlie, Metana Minerals, Pancontinental, Anglo-Dominion.

NEW LOWS (83)

BRITISH FUNDS (4) Treas. 3pc 1991, Conv. 9pc 2000, Conv. 9½pc 2008, Treas. 8½pc 2007. AMERICANS (4) Cullinet Software, Financial Corp. America, First Chicago, Lockheed Corp. BANKS (1) Mercury Intl. 6pc A Cnv. Prf. BUILDINGS (2) EBC, Lilley (F.J.C.). CHEMICALS (1) Moreacu. STORES (5) Bentalls, Casket (S.), French Connection, Moss Bros., World of Leather. ELECTRICALS (11) Cranbrook Elec., Ferranti, Fletcher Dennys, Godwin Warren, Klark-Teknik, Memcom Intl., Microlease, PPL, Personal Computers, Polytechnic Elects., Sintrom. ENGINEERING (4) Howden Group, Neil (James), Ratcliffs (G.B.), TACE. FOODS (1) Isreal (Jack L.). HOTELS (1) Trusthouse Forte. INDUSTRIALS (23 Aberfoyle Hldgs., Bibby (J.), Black Arrow, British Bloodstock, Camotech, Chemical Methods, Christies Intl., Colorgen Inc., Dom Hldgs., European Ferries, Fogarty (E.), High-Point Services, Ipeco, Iep Group, Nolton, Pavion Inty. 11pc Cnv. Ln '94-02, Ropner, Do. A, Russell (A.), Ryan Intl., Sharna Ware, Technology for Business, TSL Thermal Syndicate. INSURANCE (1) Bryant (Derek). LEISURE (7) Aspinall, Media Tech. Intl., Riley Leisure, Saga Holidays, Scanro, Television Services, Trilion. MOTORS (1) Perry Group. PAPER (4) CPM, Gold Greenless, Monotype, Saatchi & Saatchi 6.3pc Cnv. Prf. PROPERTY (2) Estates & Agency, Hammerson A. SHIPPING (1) Lyle Shipping Pfd. TRUSTS (1) London Trust Warrants. OILS (8) Bula Resources, Cluff Oil, Goal Petroleum, Intl. Atlantis Resources, Jackson Expln., Petrogen Petroleum, Sapphire Petroleum, Sun (UK) Royalty. MINES (1) Anglo Utd. Dev.

LEADERS AND LAGGARDS

Percentage changes since December 31, 1985, based on Thursday, September 11, 1986

Metals and Metal Forming	+47.94	Industrial Group	+19.10
Publishing and Printing	+43.39	Gold Mines Index	+19.10
Textiles	+41.72	All-Share Index	+18.98
Tobaccos	+37.09	500 Share Index	+18.97
Contracting, Construction	+35.40	Mechanical Engineering	+18.91
Motors	+35.38	Mining Finance	+18.82
Packaging and Paper	+31.86	Brewers and Distillers	+18.75
Chemicals	+29.72	Oils and Gas	+18.12
Building Materials	+29.38	Financial Group	+17.79
Other Industrial Materials	+27.05	Stores	+17.78
Health and H'sehold Products	+25.85	Office Equipment	+15.03
Investment Trusts	+24.58	Property	+14.91
Banks	+23.97	Overseas Traders	+14.07
Consumer Group	+23.11	Food Retailing	+13.32
Leisure	+22.95	Shipping and Transport	+12.43
Food Manufacturing	+22.84	Insurance (Life)	+11.68
Electricals	+21.81	Other Groups	+ 8.49
Merchant Banks	+21.81	Electronics	+ 4.66
Capital Goods	+21.72	Insurance Brokers	+ 2.00
Insurance (Composite)	+21.01	Telephone Networks	−12.23

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price	+ or –	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
160	F.P.	5/9	185	165	Acatos & Hutcheson50p	180	–3	bd5.25	2.9	4.1	12.0
§67	F.P.	8/8	71	68	‡BBB Design Grp 5p	68	......	L1.0	4.2	2.1	26.3
‖	F.P.	—	318	280	BTR Nylex A$0.50	314	......	Q15c	2.7	2.0	18.5
‖	F.P.	—	53	41	Bertrams Inv. Tst	42	......	—	—	—	—
§43	F.P.	—	59	50	‡Broad St. Grp.10p	51	–3	b1.1	2.2	3.0	21.1
100	F.P.	4/9	85	84	Child Med C.(TE)‡‡	85	......	—	—	—	—
§110	F.P.	12/9	127	111	‡Coline Int 5p	125	–2	R2.7	3.4	3.0	13.7
§130	F.P.	—	195	152	‡Creighton Labs 20p	187	–8	U3.7	2.2	2.8	22.7
134	F.P.	—	161	134	‡F & H Group 10p	150	–6	L4.76	2.5	4.5	12.4
150	F.P.	25/7	172	150	Guthrie Corp	167	–5	a5.3	2.2	4.5	10.7
150	F.P.	15/8	165	156	Harrison Inds. 10p	158	–3	g5.0	2.7	4.5	11.8
105.25	F.P.	—	108	104	India Fund £1	108	......	—	—	—	—
—	F.P.	29/8	£39	£36	JF Pacific Warrant S.A.	£37	–1½	—	—	—	—
110	F.P.	5/9	98	90	‡Marina Dev. 50p	92	......	R3.13	3.0	4.8	8.8
§75	F.P.	—	79	75	‡Newage Trans 5p	75	–2	R3.5	2.5	6.6	8.5
§25	F.P.	—	25½	25½	Nth of Scotland Inv 10p	25½	......	—	—	—	—
§33	F.P.	29/8	34	27	‡Omnitech 1p	28	–2	—	—	—	—
§165	F.P.	1/8	184	157	‡Smallbone 10p	160	......	u5.0	2.1	4.4	14.9
145	Nil	3/10	21pm	11pm	Sutcliffe Speak Utst	15pm	–2	—	—	—	—
130	F.P.	21/8	173	137	‡TV-am 10p	164	–6	R5.75	2.6	4.9	11.0
‖	F.P.	—	163	152	VSEL Consortium £1	160	......	W5.68	4.3	5.0	5.0
††	F.P.	—	100	85	Welsh Ind. Inv. Tst. 5p	85	......	—	—	—	—
125	F.P.	—	156	138	Yorkshire TV	138	–7	R6.25	2.4	6.4	9.3

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price £	+ or –
£100	£10	23/10	10½	8¼	Bournem'th & Dist Wtr 10⅞%Rd Db 1996	8¼	–¼
‖	Nil	10/10	3pm	1pm	Egerton Tst 7% Cv Cm Red Pf	1pm	–½
99.160	F.P.	24/10	101¼	98½	Elect & Gen. Inv. 10¾% Deb. 2011	98½	–1
¶¶	F.P.	—	94	86	Hollis 252% Cav. Subord. Ln. 1988 (2½p)	86	–2
—	—	—	29	27½	JF Pacific Warrant S. A. Pref.	28	......
105.523	F.P.	21/8	106½	96¼	Land Securities 10% 1st. Mort. Deb.25	96¼	–1¼
§100	£10	—	9½	9½	Mid-Sussex Water11% Red Deb2012-16	9½	......
§100	F.P.	—	110½p	105p	Mountleigh 5.25% Cav. Cum. Prf.	109p	–1½
#99.937	£25	24/10	25¼	23¾	Nationwide 3⅞% IL Ln. 2021	24	–1¼
—	F.P.	—	100⅛	99⅞	Do 10¼% 17/8/87	99⅞	–⅛
—	F.P.	—	100⅛	99⅝	Do 9⅞% 7/9/87	99⅝	–⅛
§100	£10	—	10¼	8¼	Portsmouth Water 10⅝% RedDeb 1996	8¼	–¼
‖	Nil	—	8½p	6p	Rush & Tompkins7.5%Cnv.Cum.Red.Prf.£1	6p	–1
‖	F.P.	30/9	106p	100p	Scantronic 5.75% Cnv. Cum. Red. Prf.	100p	–2
96.645	£25	—	24¼	23½	Scot. Met. Prop. 10¾% 1st Mort. Deb. 2016	23½	–¼

"RIGHTS" OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or –
168	Nil	10/10	27pm	17pm	Allied Irish Banks	23pm	–4
200	Nil	—	9pm	3pm	Berkeley Technology	9pm	......
138	F.P.	10/10	146½	140	Brown & Tawse	145	–1½
‖	Nil	—	½pm	½pm	Castleton Venture Capital 5p	½pm	......
276	Nil	14/10	30pm	25pm	FII Group	25pm	......
215	Nil	—	25pm	21pm	Persimmon 10p	21pm	–4
315	Nil	—	30pm	18pm	Sedgwick Group 10p	19pm	–7

Renunciation date usually last day for dealing free of stamp duty. *a* Annualised dividend. *b* Figures based on prospectus estimates. *d* Dividend rate paid or payable on part of capital, cover based on dividend on full capital. *g* Assumed dividend and yield. *h* Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures. *t* Indicated dividend; cover relates to previous dividend; p/e ratio based on latest annual earnings. *u* Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment price. ‡ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement † Unit comprising of 1 New Ord., 1 9½% Red Prf. and 1 warrant.

EUROPEAN OPTIONS EXCHANGE

Series		Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	May. Vol.	May. Last	Stock
GOLD C	$390	14	41	12	47	43	54	$418
GOLD C	$400	125	36	84	42.50	11	48B	"
GOLD C	$420	359	24.50	186	35	12	45B	"
GOLD C	$440	45	19	100	25.50	26	35	"
GOLD C	$460	172	12	34	19	27	25B	"
GOLD P	$380	115	5	10	10A	—	—	"
GOLD P	$390	91	6.50	3	12	—	—	"
GOLD P	$420	41	16	3	20	—	—	"
		Sept. Vol.	Sept. Last	Dec. Vol.	Dec. Last	March Vol.	March Last	
SILV C	$500	4	80	—	—	77	120	$580
SILV C	$600	—	—	40	26	27	50	"
$/FL C	FL225	25	8.50A	13	11.20A	—	—	FL233.30
$/FL C	FL230	146	3.50	65	8.40	84	10.40	"
$/FL C	FL235	541	1	98	5.80	12	8	"
$/FL C	FL240	419	0.50	172	3.30	11	5.70	"
$/FL C	FL245	4	0.30	113	2.50A	—	—	"
$/FL C	FL250	163	0.05	60	1.50	40	3.10	"
$/FL C	FL255	—	—	40	1.30	—	—	"
$/FL P	FL220	—	—	157	2.20	—	—	"
$/FL P	FL225	4	0.10	144	3.80	3	58	"
$/FI P	FL230	20	0.80B	42	6	10	7.20B	"
$/FI P	FL235	120	5	106	8.50	52	10.40	"
$/FI P	FL240	11	8	126	10.50B	—	—	"
$/FI P	FL245	172	12	23	14B	—	—	"
		Oct. Vol.	Oct. Last	Jan. Vol.	Jan. Last	Apr. Vol.	Apr. Last	
ABN C	FL580	342	7	120	22A	—	—	FL558
ABN P	FL560	498	98	104	14.50	98	15B	"
AEGN C	FL110	237	1.20	110	4.30A	11	6.80A	FL103
AEGN P	[illegible]	[illegible]	1.90	102	2	—	—	"
AH C	FL95	[illegible]	2.80A	38	7.20	—	—	FL93
AH P	FL98	[illegible]	3.60	73	48	—	—	"
AKZO C	FL[illegible]	845	2.50A	854	8	26	12.50	FL156.50
AKZO P	FL[illegible]	[illegible]	5.80B	345	9	125	9.60	"
AMEV C	FL[illegible]	[illegible]	1.10	64	3.10	30	6	FL76
AMEV P	FL75	117	1.20	17	3	30	3.50B	"
AMRO C	FL110	514	1.10	148	3.50	7	5.90	FL100.20
AMRO P	FL105	306	5.80	63	8	8	9.50	"
ELSV C	FL240	25	3	7	8.20	—	—	FL218
ELSV P	FL220	76	5.50	20	9.50B	—	—	"
GIST C	FL50	126	2.70	49	5	1	7.50	FL50
GIST P	FL54	290	4	105	4.50B	—	—	"
HEIN C	FL170	67	7A	15	11	—	—	FL169
HEIN P	FL170	345	4	87	6.50	—	—	"
HEO C	FL165	30	8.70	—	—	—	—	"
HEO P	FL180	24	10.50	—	—	—	—	"
HOOG C	FL70	254	1.70	141	4.50A	15	7.20	FL64.80
HOOG P	FL70	590	6	210	6.50	33	7.50	"
KLM C	FL45	511	2.10	153	4.10	2	6.70	FL45.10
KLM P	FL50	286	5	610	6	19	6	"
NEDL C	FL180	111	6	47	12.20	—	—	FL180.50
NEDL P	FL180	86	4.10	17	7.90	—	—	"
NATN C	FL75	—	—	—	—	100	15	FL84
NATN P	FL80	267	1.40	148	3.30	—	—	"
PHIL C	FL55	730	1	595	2.80A	198	4.10	FL52.40
PHIL P	FL50	567	0.70	349	1.70	28	3B	"
RD C	FL210	2805	1.90	1407	6.50	155	10	FL204
RD P	FL200	1302	4.90	723	6.30	24	7.90A	"
ROBE P	FL95	42	2	7	3.10B	54	4.50	FL93
UNIL C	FL500	351	8.50	239	21.90A	16	33A	FL485
UNIL P	FL480	481	6.50B	149	13B	55	19	"

TOTAL VOLUME IN CONTRACTS: 63,862

A=Ask B=Bid C=Call P=Put

BANK RETURN

BANKING DEPARTMENT

	Wednesday September 10 1986	Increase (+) or decrease (—) for week
LIABILITIES	£	£
Capital	14,553,000	—
Public Deposits	79,680,276	— 2,412,569
Bankers Deposits	854,069,830	— 8,913,164
Reserve and other Accounts	1,446,906,834	+ 18,424,834
	2,395,209,940	+ 7,099,101
ASSETS		
Government Securities	571,953,377	+ 21,072,066
Advance and other Accounts	714,636,219	— 83,233,201
Premises Equipment & other Secs	1,104,721,319	+ 77,047,888
Notes	3,622,853	— 7,802,440
Coin	276,172	+ 141,788
	2,395,209,940	+ 7,099,101

ISSUE DEPARTMENT

	£	£
LIABILITIES		
Notes in Circulation	12,606,377,147	— 62,197,560
Notes in Banking Department	3,622,853	— 7,802,440
	12,610,000,000	— 70,000,000
ASSETS		
Government Debt	11,015,100	—
Other Government Securities	4,419,583,952	+ 1,215,697,674
Other Securities	8,179,400,948	— 1,285,697,674
	12,610,000,000	— 70,000,000

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS & INSURANCES

Waverley Asset Management Ltd (a) (c) (g)
13 Charlotte Sq, Edinburgh 031-225 1551

Australasian Gold	20.4	21.8	—	0.15
Pacific Basin	16.3	17.4	−0.1	0.2
Canadian Balanced Groth	57.6	61.4	−1.6	0.98
Glade Min	100.9	105.3	−0.4	7.1

WestAvon Unit Trust Managers Ltd(a)(c)
9 Portland Square, Bristol BS2 8SS 0272 428431

British Small Co's (z)	57.5	59.1	−1.5	1.75
British Growth (z)	64.2	68.1	−2.1	2.00
British Income (z)	65.9	67.8	−1.6	4.50
British Extra Yield(z)	50.5	51.9	−1.0	6.50

Whittingdale Unit Trust Managers
2 Honey Lane, London EC2V 8BT 01-606 9085/6

Short Dtd Gilt Fd	67.7	68.8	−0.1	0.00
U.S. Govmt Bond Fd	0.510	0.512	−0.002	—

Windsor Trust Mngrs Ltd
83 Kingsway, London, WC2B 6SD 01-405 8331

Capital & Equity Tst	49.2	52.4	−0.7	7.34
Growth Trust	51.7	55.1	−1.9	2.25
Income Trust	54.2	57.7	−1.3	5.03

Wright Seligman Fund Managers Ltd
11 Blomfield St, London EC2M 7AY 01-588 0592

Growth Fund	70.3	73.8	—	2.97

Weekly dealing day Tuesday

The Yorkshire General Trust
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250

Y.G.T.	135.0	133.0	−4.3	3.28

INSURANCES

AA Friendly Society
(Investment Mngt M & G Inv Mngt Ltd)
PO Box 93 Cardiff CF1 4NW 0222 35542

AA Friendly Sy Aug 12	—	105.9	+2.8	—

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

Prop. Ser. 1	207.2	218.2	—	—
Equity Ser. 1	101.7	107.1	−2.6	—
Prop. Acc. Ser 2	278.9	293.6	—	—
Equity Ser 2	110.6	116.5	−2.7	—
Selective Acc.	237.3	249.8	−3.8	—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

City of Edinburgh Life Assurance
46 Charlotte Sq, Edinburgh EH2 4HQ 031-225 1655

Ivory & Sime Bond	104.0	110.0	+1.0	—
Risk & Reward Bond	123.0	130.0	—	—
Murray Johnstone Fd	124.0	131.0	—	—
Money Market Fd	101.0	107.0	—	—
Ivory & Sime Pens Fd	105.0	111.0	—	—
Risk & Reward Pens Fd	105.0	111.0	+5.0	—
Murray J'stone Pens Fd	121.0	128.0	—	—
Money Market Pens Fd	101.0	107.0	—	—

City of Westminster Assurance
Sentry House, 500 Avebury Boulevard, Cent Milton Keynes MK9 2LA Tel: 0908 606101/660888

Current Series				
Property Fund	213.0	119.0	—	—
Money Fund	222.2	233.9	+0.2	—
Managed Fund	409.0	430.6	−1.8	—
Equity Fund	258.2	271.8	−0.9	—
Fixed Interest Fund	146.1	153.8	−0.9	—
Far East Fund	215.7	227.1	−1.1	—
North American Fund	173.0	182.2	−2.8	—
Natural Resources Fund	139.0	146.4	+0.4	—
Pension Managed Fund	381.8	401.9	−1.6	—
Pension Equity Fund	244.1	257.0	−0.8	—
Adventurous Mngd Fd	111.1	117.0	+0.4	—
Balanced Mngd Fd	107.2	112.9	+0.4	—
Conservative Mngd Fd	106.0	111.6	—	—
European Fund	105.7	111.3	—	—
International Fund	107.2	112.9	+0.5	—

For other prices please telephone 0908 606101/660888

Clerical Medical/Fidelity International
Narrow Plain, Bristol BS2 0JH 0272 290566

Investment Funds				
Mixed	130.5	137.4	−3.6	—
Equity	147.7	155.5	−4.7	—
Property	109.0	114.8	—	—
Gilt & Fixed Interest	111.1	117.0	−2.1	—
Indexed Securities	99.5	104.8	−1.3	—
Cash	107.5	113.2	+0.1	—
North American	103.2	108.7	−3.1	—
Far East	129.2	136.0	−3.7	—
International	122.4	128.9	−3.1	—
Special Situations	142.4	149.9	−3.4	—
International Income	137.4	144.7	−2.9	—
American Income	112.8	118.8	−2.8	—
European	146.2	153.9	−3.2	—
Flexible Retirement Plan				
Mixed	134.8	141.9	−4.6	—
Equity	143.7	151.3	−4.9	—
Property	114.4	120.5	+0.1	—
Gilt & Fixed Interest	118.9	125.2	−1.5	—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

INSURANCE, OVERSEAS & MONEY FUNDS

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

[illegible]

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

NOTES

[illegible]

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	30	MEI	11
Amstrad	23	Nat West Bk	48
BAT	35	P & O Dfd	45
BOC Grp	28	Plessey	18
BSR	11	Polly Peck	16
BTR	28	Racal Elect	16
Babcock	17	RHM	20
Barclays	45	Rank Org Ord	45
Beecham	40	Reed Intnl	75
Blue Circle	55	STC	16
Boots	22	Sears	12
Bowaters	30	TI	42
Brit Aerospace	45	Tesco	32
Brit. Telecom	17	Thorn EMI	40
Burton Ord	28	Trust Houses	15
Cadburys	17	Turner Newall	18
Charter Cons	22	Unilever	120
Comm Union	28	Vickers	40
Courtaulds	26	Wellcome	17
FNFC	17	Property	
Gen Accident	75	Brit Land	16
Gen Electric	17	Land Secs	30
Glaxo	85	MEPC	32
Grand Met	34	Peachey	24
GUS 'A'	85	Samuel Props	25
Guardian	75	Oils	
GKN	32	Brist. Oil & Min	2½
Hanson Tst.	16	Brit Petroleum	45
Hawker Sidd	48	Burmah Oil	30
ICI	55	Charterhall	4
Jaguar	38	Premier	3½
Ladbroke	32	Shell	55
Legal & Gen	24	Tricentrol	11
Lex Service	28	Ultramar	18
Lloyds Bank	38	Mines	
Lucas Inds	52	Cons Gold	40
Marks & Spencer	18	Lonrho	24
Midland Bk	44	Rio T Zinc	50
Morgan Grenfell	30		

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont.

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

INSURANCES

LEISURE

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

1986 High	Low	Stock	Price	+ or -	Div Net	Cvr	Y'ld Gr's
80	29	♥Colby Res Corp.	51	−1½	—	—	—
300	115	Cons. Murch. 10c	208	+18	Q100c	♦	13.5
34	24	‡Ennex Int. Ir10p	24	.....	—	—	—
123	70	Greenwich Res	115	.....	—	—	—
157	93	Hampton Areas 10p	146	.....	♦1.0	—	1.0
327	165	♥Highwood Res	257	−23	—	—	—
£19⅞	£13⅞	Homestake Mining $1	£17½	−½	Q20c	—	0.8
310	168	♥McFinley Red Lake	172	+2	—	—	—
285	144	♥Mesto Explorations	211	+2	—	—	—
51	28	♥New Sabina Res C$1	29	.....	—	—	—
297	200	Northgate C$1	261	+7	—	—	—
790	513	RTZ	611	+7	22.0	2.8	5.1
£164	£115	Do. 9½pcLn'95-2000	£130½	−2½	Q9½%	15.5	17.4

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ‡ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or -
Albany Inv 20p	57	−2
Craig & Rose £1	£13½	......
Finlay Pkg. 5p	45½	+½
Holt (Jos) 25p	825	......
IoM Stm. £1	74	−1
IRISH		
Fund 11¼% 1988	£101¼	......
Nat. 9¾% 84/89	£98	......
Fin. 13% 97/02	£106½	......
Arnotts	285	......
CPI Hldgs	45xd	......
Carrol Inds.	125	−5
Dublin Gas	30	......
Hall (R. & H.)	93	−2
Helton Hldgs.	31	+2
Irish Ropes	99	......
Unidare	225xd	......

"Recent Issues" and "Rights" Page 15

FINANCIAL TIMES
Saturday September 13 1986

Flotation values TSB at £1.5bn

BY DAVID LASCELLES, BANKING CORRESPONDENT

A PRICE of £1.5bn was set yesterday on the Trustee Savings Bank group, which is about to become the largest new company to be floated entirely on the UK stock market.

As it released a mighty cloud of 10,000 balloons over the City, Lazard Brothers, the group's merchant bank, announced that the flotation would take the form of 1.5bn shares at £1 each. The news was also emblazoned on a dozen larger balloons, moored to rooftops.

Undaunted by the collapse of share prices on Wall Street the previous day, and by further discouraging stock market news yesterday, Mr Duncan Clegg, a Lazard director, said: "All the signs are that this will be one of the most popular share offers ever."

Twelve presses around the UK are working flat out to print 7m copies of the prospectus, which will be available from Monday. More than 3m people registered interest in the issue by Thursday night, and the TSB is hoping to attract at least 1m investors. The prospectus will also be published in the press on Tuesday.

Applications for the issue have to be lodged with TSB branches by the close of business on September 23, or at the receiving banks by 10 am on September 24. Payment for the shares will be in two instalments—the first 50p per share on application and the remainder a year later.

Arrangements have been made to weed out multiple applications. Mr Clegg warned yesterday that cheques received from suspected multiple applicants would be cashed.

Lazards had decided some time ago to price the shares at £1 each because it was "an easily memorable figure." So the main decision had been how many shares to issue.

Of the 1.5bn shares on offer, 136m will be retained by the TSB to pay a "loyalty bonus" of one-for-10 to investors who hold their shares until September 30 1989.

After allowing for this, the TSB will raise £1.36bn for itself from the flotation, though allocations of free shares to employees and other expenses will reduce the net proceeds to £1.27bn.

The indicated dividend yield on the shares at the offer price is 6 per cent—higher than the 5.5 per cent suggested by Lazards when the draft prospectus was published last month. The offer represents a price-to-earnings multiple of 7.63, based on forecast earnings of 13.1p for this year.

Mr John Hignett, the Lazards director in charge of the pricing, said the sharp fall in stock prices around the world had not affected the value they had decided for the TSB. "We were looking at these figures all this week. We knew about the Wall Street collapse, and we have not changed our view." The underwriting of the issue by institutions had gone successfully, he indicated.

Mr Hignett said the intention had always been to "make the issue attractive to the public at large and the private shareholder." The price-to-earnings multiple chosen by Lazards was greater than that for UK banks as a whole, which is between 6 and 6.5, but less than that for Scottish banks, which is 8, he said. On the other hand, the yield is higher than the UK banking average and so is the discount from net asset value.

Lazards had originally indicated a price of between £1bn and £1.5bn. He said the actual price price had been set in the top half of this range because of the huge interest being taken.

The issue was judged in the City last night to have been generously priced and was considered certain to trade at a substantial premium when dealing starts on October 8. One dealer, Cleveland Securities, was quoting a "grey market" price of 88p to 93p on the 50p part 1 paid shares — a premium of about 80 per cent.

Men of the week, Page 8

US may curb Japanese financial institutions

BY IAN RODGER IN TOKYO

THE US has threatened to restrict the operations of Japanese financial institutions in America unless Japan opens up its short-term financial markets.

Mr Donald Mulford, the US Assistant Secretary of the Treasury, said after two days of talks in Tokyo that Japan's progress on liberalising its financial markets had stalled.

"Their plans for continuing deregulation seem vague and inconsistent," he said at a joint Press conference with Mr Toyo Gyoten, Japan's Assistant Vice-Minister of Finance.

tum for reform was slowing tum for reform was slowing "as we get closer to the really difficult questions," Mr Mulford said. In the first of many issues on which the two men differed sharply at the Press conference, Mr Gyoten disputed this interpretation.

"We are determined to continue steadily and on our own initiative efforts for liberalisation and internationalisation," he said.

The main source of US and European irritation with Japan's financial markets are the various controls on Japan's markets for treasury bills, certificates of deposit, and money market certificates.

Mr Mulford said the controls had the effect of preventing both foreign investors and small individual savers from participating in these markets.

The US believed that if controls were removed, the allocation of funds within the Japanese economy would become more efficient. That would cause more money to be invested in the domestic economy rather than on export-oriented industries, a change the US favours.

Mr Gyoten said Japan had made great progress in reducing controls on its short-term financial markets over the last two years. Mr Mulford acknowledged this, but said the liberalisation moves still affected only about 15 per cent of the deposits in the Japanese market. "There is still a lot to do," he said.

He also complained about problems US financial institutions were experiencing in obtaining the right to operate in Japan. Unless there was progress on this issue as well, the US might have to change its policy of allowing national access to Japanese firms to one of making reciprocal deals involving specific firms from each side.

Most West European Governments, including the UK, have already resorted to reciprocity deals with the Japanese on financial institutions.

Mr Gyoten said the Japanese Finance Ministry was prepared to consider any application from a US securities firm. He complained that when US financial institutions went abroad, they unrealistically expected local conditions and laws to match those in the US, whereas Japanese companies accepted local conditions.

Mr Mulford retorted that it was easy for Japanese companies to adapt to conditions in the US because they were given wide freedom. "Japan is still a highly regulated market with a strong degree of direction from the authorities. It is very much harder to operate in such conditions."

In spite of the differences aired at the press conference, both men said the talks had been extremely friendly.

Nakasone committed to world harmony, Page 3

Continued from Page 1

IBM

as a "special opportunity," to leave the corporation. However, yesterday's announcement of the "1986 retirement incentive" was the first time it had modified its retirement plan, said a company official.

IBM said the early retirement plan was part of its "continuing efforts to improve the company's competitive strength by reducing costs and balancing resources," and that the plan would help preserve its "full employment tradition."

The US workforce was projected to decline by about 4,000 this year as a result of normal movements and limited hiring. With the new retirement incentive the reduction in the number next year was planned to be "at least twice that of 1986," IBM said.

Currently, IBM employees can retire after 30 years of continuous service or after 15 years if they reach the age of 55. Under the new scheme, eligibility for the incentive is determined by adding five years to the age and service record of employees

On Wall Street, where IBM's shares have underperformed by far in the overall stock market, most analysts expect the company to report its second year of lower earnings this year, but are expecting the company's profits to bounce back in 1988. IBM shares fell by ⅞ to \$138⅜ in early trading yesterday.

Unilever quits packaging areas by sale of Thames Case division

BY TERRY DODSWORTH IN NEW YORK

UNILEVER, the Anglo-Dutch consumer products group, yesterday sold the corrugated division of its Thames Case subsidiary to ASSI, of Sweden, thereby completing its retreat from the corrugated and solid case packaging business.

The disposal of Thames's corrugated case business, which employs 1,300 at five sites across Britain, follows the sale this year to Davidson Radcliffe of the group's solid-case-making plant which had a workforce of 300 at Purfleet, Essex.

Unilever yesterday refused to say how much cash it had raised from the two transactions. However, Thames's corrugated activities, accounting for about 8 per cent of the UK market, have been consistently profitable and have a turnover of about £70m a year.

For ASSI, a leading European producer of packaging paper and corrugated board, the deal means a substantial expansion of its UK activities. The Swedish group yesterday said the acquisition would triple the size of its UK business, currently concentrated in Dolan Packaging, giving it a capacity of 160,000 tonnes of board a year.

The deal also continues the process by which the bulk of the packaging industry is being acquired by large pulp and paper manufacturers to tie up a market for their kraft paper products.

ASSI said it had invested heavily in the corrugated board business in recent years to give it these tied outlets.

Unilever's decision to sell the Thames Case business goes back to strategic moves two years ago to dispose of peripheral businesses outside its main activities in consumer products, food, detergents and speciality chemicals.

After conclusion of the sale of the corrugated activities Thames Case will be reduced to a single mill in Workington, Cumbria, making high-quality duplex fibre-board for specialised applications such as cigarette packets.

The five plants in the corrugated division are at Purfleet, Warrington, in Cheshire, Abercarn in Gwent, Northampton, and Cumbernauld in Strathclyde.

The Workington plant, employing 800, is regarded as one of the most up-to-date in Europe after a £94m investment two years ago. Unilever is known in the industry to be open to offers for the plant, even though the group has not put it on the market formally.

Unilever said yesterday that consultations with employees and union representatives at the corrugated case division had begun over the acquisition but no redundancies were expected as a direct result of the sale. ASSI intends to maintain the unit as a separate activity in the hands of current management.

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES		
Blue Bird Confect	110	+ 12
Central Norseman	553	+ 32
DSC Hldgs	55	+ 9
De Beers Defd	505	+ 15
Dew (George)	122	+ 8
GM Kalgoorlie	575	+ 25
Good Relations	148	+ 15
MIM Hldgs	95	+ 7
FALLS		
BICC	260	− 8
Beecham	400	− 13
Blue Circle	545	− 7
Costain	530	− 14
Fisons	598	− 15
Glaxo	940	− 45
Guinness	328	− 8
Hawker Siddeley	493	− 16
Jaguar	506	− 19
Laird	217	− 11
Land Securities	310	− 8
MEPC	313	− 12
NatWest Bank	532	− 15
Pentland Inds	425	− 30
Royal Insce	844	− 18
Saatchi & Saatchi	675	− 20
Sharna Ware	37	− 8
Shell Transport	890	− 18
Simon Eng	225	− 10
Tesco	400	− 12
Turner & Newall	187	− 12
Unigate	292	− 11

WORLDWIDE WEATHER

UK today: Cloudy windy and rather cool with showers between sunny spells. Outlook: Cool with some heavy rain.

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	F	24	75	Corfu	S	31	88	Luxmbg	R	10	50	Peking		—	—
Algiers	C	23	73	Dallas	S	17	63	Madeira	S	25	77	Perth	C	16	61
Amsdm	S	15	59	Dublin	F	14	57	Madrid	C	24	75	Prague	C	15	59
Athens	S	28	82	Dbrvnk	S	28	82	Majorca	F	26	79	Rykjvk	S	9	48
Bahrain	S	34	93	Ednbugh	F	11	52	Malaga	F	27	81	Rhodes	S	27	81
Barclna	F	23	73	Faro	F	24	75	Malta	F	28	82	Rio Jo†		—	—
Beirut		—	—	Florence	S	26	79	Mchster	F	14	57	Rome	S	27	81
Belfast	F	12	54	Frankft	R	13	55	Melbne	R	13	55	Salzbrg	S	23	73
Belgrd	S	26	79	Genova	C	21	70	Mex C†		—	—	Sciacot	C	14	57
Berlin	C	16	61	Gibrltr		—	—	Miami†	S	26	79	Singapr	R	23	73
Biarritz	S	25	77	Glasgow	S	12	54	Milan	F	20	68	Sntiago†		—	—
Bmghm	S	13	55	Gurnsey	R	13	55	Montrl†	R	21	70	Stckhm	F	13	55
Blackpl	S	15	59	Helsinki		—	—	Moscow	C	14	57	Strsbg	C	16	61
Bombay	F	29	84	H Kong	C	30	86	Munich	S	24	75	Sydney	F	19	66
Bordx	F	24	75	Innsbrk	S	22	72	Nairobi	S	27	81	Tangier	C	25	77
Boulgn	R	12	54	Invrns	F	10	50	Naples	S	28	82	Tel Aviv	S	31	88
Bristol	R	12	54	I.o.Man	S	13	55	Nassau		—	—	Tenerife	F	26	79
Brussels	F	12	54	Istanbul	S	28	82	Nwcstle	C	11	52	Tokyo	R	23	73
Budpst	S	23	73	Jersey	C	14	57	N Delhi	F	30	86	Toronto†	F	18	64
Cairo	S	32	90	Joburg	F	22	72	N York†	C	24	75	Tunis	S	32	90
Cardiff	F	13	55	L Palmas	S	25	77	Nice	F	23	73	Valencia	F	29	84
Cape T	S	19	66	Lisbon	C	24	75	Nicosia	S	29	84	Venice	S	22	72
Chicg†	C	13	55	Locarno	C	18	64	Oporto	R	21	70	Vienna	S	19	66
Cologne	R	12	54	London	F	15	59	Oslo	F	11	52	Warsaw	C	13	55
Conhgn	F	15	59	L Ang†	C	17	63	Paris	R	11	52	Zurich	F	21	70

C—Cloudy. Dr—Drizzle. F—Fair. Fg—Fog. H—Hail. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow. T—Thunder.
† Noon GMT temperatures.

Continued from Page 1

Markets plunge

into Treasury bill futures, and options and futures on broad-based stock indices," in the US.

Buying interest from a handful of professional traders was not enough to reverse the falls of the day in Europe. In London, the FT-SE 100-share index recovered from a loss of 44 points at one stage but closed 27.9 points lower at 1608.6. The FT Ordinary share index fell 27.3 points on the day to 1,270.9.

Gilt-edged Government securities were also erratic, and some longer-dated issues traded within a range of nearly three points. Yields touched 10 per cent at one point but the FT Actuaries high-coupon, long gilt yield ended the day at 9.91, up by ¼ of a percentage point during the week.

Continental European stock markets also suffered, with the Commerzbank index in Frankfurt, which is compiled at noon, slipping 54.2 points to 2,035.7.

Some lost ground was regained in Paris when Crédit Lyonnais cut its base lending rate to 9.45 per cent from 9.6 per cent. Crédit Lyonnais said the move had been made possible by its strong profits so far this year.

Other leading French banks, however, said they had no intention of following the cut. The rally in French share prices was short-lived. The CAC General Index showed a loss on the day of 16 points—falling to 383.8.

In Tokyo, prices plunged early in the day but recovered a little ground later. By noon, the closely watched Nikkei index of 225 shares had tumbled 525.3 points—a record one-day fall—but the index was down only 460.73 points (2.5 per cent) by the close at 18,100.52.

Some analysts said the fall showed the nervousness of many investors in what is now a volatile and highly-priced Tokyo market. The Nikkei Index has risen more than a third so far this year, in spite of the dull outlook for the Japanese economy.

West German Bundesbank surprised dealers early yesterday when it sold dollars. Within minutes, this forced the rate for the US currency down from DM 2.10 to less than D M2.08.

The dollar went as low as DM 2.053 in later European trading, but closed in London at DM 2.0605—down more than three pfennigs from the level of the previous day but above the DM 2.02 it had reached this month.

The Bundesbank's key concern had been that a further sharp drop in the dollar might undercut competitiveness of German exports — hence the widespread surprise over the central bank's action yesterday.

The Bundesbank declined to comment but it is understood that the decision to intervene was taken after the dollar had risen sharply for no clear reason and looked set to go higher.

So the bank acted to quell an "erratic fluctuation" which, if *left unchecked, might* have rebounded to thrust the dollar back to a new low that the bank would have found excessive.

Officials rejected market rumours that the intervention was "a political gesture" to the US, which favours a low dollar rate to help curb its trade deficit.

Hurd and Lawson fire first shots in autumn tax debate

By Peter Riddell, Political Editor

FIRST SALVOES in the Cabinet's usual autumn exchanges about public expenditure and taxation priorities were fired yesterday by Mr Douglas Hurd, Home Secretary, and Mr Nigel Lawson, Chancelor of the Exchequer, in characteristic, muted Conservative fashion.

Speaking at Edmonton, north London, Mr Hurd accepted the case for further reductions in taxation levels, especially for those in lower tax brackets, but stressed the need to keep a balance with improving the quality of selected public services.

Mr Lawson said in a speech in Crosby, Merseyside that, with public expenditure firmly under control, there should be room *for progressive reductions in the* tax burden.

The emphasis throughout his speech, primarily aimed at attacking Labour and Alliance economic policies, was on reducing taxes for ordinary people. "We have already made significant progress in cutting income tax. Thebasic rate has come tax. The basic rate has come half way to our declared objective of 25 per cent," he said.

Mr Lawson's stress on a 25p basis rate was in contrast to the more qualified approach of other Cabinet minister such as Mr John Biffen, Leader of the Commons, and Mr Hurd, who favour a balanced approach and have never regarded this figure as a target.

Mr Hurd said the growth in real take-home pay of those in work and the continuing increase in national prosperity had recently muted the demand for tax cuts. Most people rightly expected continued reductions, but "we need to bear in mind, too, that as people become personally better off their expectations of the quality of public services naturally rise too."

Mr Hurd warned, however, that "carefully controlled and targeted increases in expenditure, would only be effective if the right mechanisms existed or were created for delivering better services. He allied himself with Cabinet colleagues Mr Kenneth Baker, Education Secretary, and Mr Norman Fowler, Social Services Secretary, in proposing increases in both the quality and responsiveness of public services.

In his speech, entitled Winning the Third Term, Mr Hurd argued that to a considerable extent, the Government's objectives set out in 1979 had been achieved, but much more still needed to be done. *Solving the* problems of the inner cities was the challenge for late 20th century Britain.

The problems could not be solved through the efforts of the public sector alone and Mr Hurd appealed to the private sector to work in partnership with central and local government and voluntary organisations. "The greater freedom to prosper, which we have given to private firms, inevitably carries with it obligations. I hope the private sector will increasingly devote its vigours and energies to inner city revival *as it has done for many* years in America."

Discussing the public debate ahead of the election, Mr Hurd said there were three key areas for the Conservatives. These were: creation of an enterprise economy and an economic democracy where ownership was spread widely; prevention of crime and protection of the citizen; and improvement of both the quality and responsiveness of public services in fields such as education and health.

At present only the usual preliminary skirmishing is *taking place in Whitehall* over expenditure levels, involving bilateral discussions between the Treasury and spending departments. That will probably last until the end of the month, leading to the re-establishment of a so-called Star Chamber arbitration committee under Lord Whitelaw, Leader of the Lords, in mid-October.

Training 'must lose frightening image'

BY THE start of the 1990s, most young people would leave school well prepared for work in terms of qualifications and ability, MSC Director Mr Geoffrey Holland, Manpower Services Commission Director told the Institute of Careers Officers in Cardiff yesterday.

But if equal strides were to be made in adult training, learning had to lose its frightening image and compete for popular attention with Coronation Street, Eastenders and video hire shops.

He said: "Because of schools with reformed and wider curri- YTS, *from the early 1990s 90* per cent or more of our young people will be moving into the world of work with a recognised credit or vocational qualification."

However, it was vital to create a system of training which was accessible to people of all ages and backgrounds.

THE LEX COLUMN

TSB raises its bowler

If there was ever a new issue that could be underwritten during a morning in which the FT-SE index *fell 45 points, it had* to be the TSB. The Government's decision that the group had no owner meant that a proportion of nearly £900m of pre flotation net tangible assets had to be given away with each of the 1.5bn shares.

Given the economic nonsense of an asset without an owner, it became impossible to price the issue with any consistency. To reduce the share price to a sensible discount to net assets would have involved dividing these assets across an enormous issue of about £3.5bn. But even had that been feasible, the diluting effect on earnings would then have resulted in an unpalatable prospective multiple in the high teens. So the financial advisers have gone for a banking style earnings multiple, of 7.6 times prospective earnings, which still leaves the shares on a discount of more than 26 per cent to net asset value. The company has been made bid proof for at least five years. But it is still weird that the ultra solid TSB, with no foreign loan book is being sold on the same sort of discount as Midland with its £4bn exposure to Latin American borrowers.

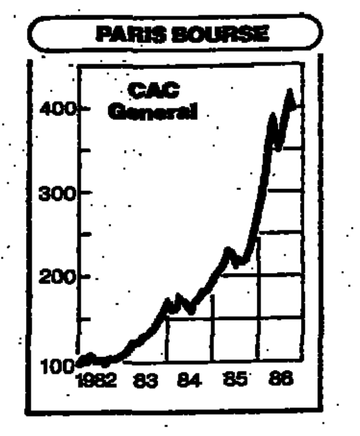
In fact the multiple is more demanding than that of any of the four English clearers, while the TSB profits of £201m pre-tax forecast for 1986 represent an increase of 19 per cent — not spectacular compared with its rivals. TSB's existing problem — being too undergeared to generate much excitement in the way of return on capital — will now be greatly exacerbated. As a result of the inflow of £1.5bn, the company's post tax return on capital will fall by over a third to about 9 per cent. TSB could grow its loan book by about £40bn and still enjoy a respectable free capital ratio. That sounds like a recipe for improvident lending, but at least the bank in question is a byword for caution.

TSB will be dogged by market speculation about what it will acquire with its £1.5bn. The company dropped hints again yesterday about its interest in estate agents. This will please fancy sellers but perhaps TSB thinks that by buying companies made up almost entirely of goodwill, and then writing off that goodwill on acquisition, it will go some way towards getting return on capital up to acceptable levels. The only previous significant acquisition on which TSB can be judged is the £109m purchase of the UDT finance house. In the 5½ years since then UDT has made less than £50m operating profits, which is hardly more than the funds would have made in the money markets. Case not proven.

The grey market price of over £1 for the 50p part paid shares is overdoing things, but is at least a reflection of weight of money. Judging from TSB's market research the 50 per cent of the issue allotted to depositors and employees will be taken up. If those outsiders who have expressed their intention to buy do so at the minimum application level—and get it—that leaves less than £300m left for the institutions to aim at.

The pre-emptive efforts of those bodies to get a proper weighting in the enlarged banking sector has caused bank shares to outperform by about 4 per cent over the past month, along the lines of the ramp in Cable and Wireless before the BT issue. The same efforts at work during the TSB after market seem certain to lead to a sellers' paradise, in which the only dilemma for the holders of what are likely to be tiny allocations, is whether to realise an immediate gain or wait three years for the one for ten bonus share issue.

Index fell 27.3 to 1270.9



Markets

Confusion in the markets on the scale of the past two days is fortunately rare. Financial markets have always been liable to turn on a sixpence, given suitable encouragement, but for equities in New York and London to make four major changes of direction in 24 hours without any substantial news to work on is rather unusual. Given the magnitude of the swings—the FT-SE and Dow Jones indexes successively lost over 40 points in early trading—the turmoil is also quite exasperating.

The attempt to rally London equities yesterday morning was a dispiriting and expensive failure by lunchtime, when the market seemed set on establishing a new record for the one-day drop. When the afternoon brought the additional burden of following every turn in the even more disturbed market on Wall Street, there was no further chance for London traders to get things right: the late recovery in London was betrayed by Wall Street's second relapse of the day. The fact that New Yorkers were blaming the onset of their own troubles on rumours generated in London will have struck the struggling London jobber as slightly rich.

Underneath the turbulence it is not at all clear that anything fundamental has gone wrong. Over the last fortnight bond yields everywhere have risen by around half a point, as if to discount an incipient return to higher levels of inflation. Like the conflicting fears that the US economy is either about to overheat or to slip into a prolonged recession, this is a worry which the markets are not yet obliged to have, since the evidence is in short supply.

What the markets most need to worry about is their own internal mechanism. If equity prices are to be tipped over the edge by programmed selling every time the market begins to weaken, the market's anxiety quotient is bound to rise. So is the cost of keeping up the investment performance tables. The type of longer-term institutional commitment that seems to have saved AE's latest in a lengthening list of successful London bid defenders — may become even more of a luxury than before.

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WEEKEND FT

Saturday September 13 1986

• MARKETS • FINANCE & THE FAMILY • PROPERTY • TRAVEL • MOTORING • DIVERSIONS • HOW TO SPEND IT • BOOKS • ARTS • TV •

David Churchill evaluates the achievements of 'Which?' — nearly 30 years after its foundation

The middle-class bible

THE PERSONALISED letter landing on the doormats of tens of thousands of households in recent weeks screams: "Inside are six chances to win the £100,000 jackpot. Just think what you could do with the £100,000 prize. Would you buy a new car or a villa abroad? Or would you splash out on foreign travel or invest it to provide a second income?"

This tempting bait is not aimed at luring the unwary into buying a set of encyclopaedias or cookery books from the "Reader's Digest." Instead, it is the latest marketing drive from the Consumers' Association, publisher of "Which?" magazine and assorted self-help books. "Which?" is the bible of the affluent middle-classes. It details the best buys from damp-proofing to dishwashers—the "how to" of survival in the consumer jungle. It sells each month to about 800,000 well-heeled members and helped the association to an accumulated surplus last year (it is a non-profit making body) of £2.3m.

Yet its hard-sell tactics are seemingly at odds with the message it preaches: is the spirit of consumerism being blighted by such blatant commercialism, or is it just another example of how even consumer protection bodies in Mrs Thatcher's Britain of the late 1980s have to help themselves?

The answer, not surprisingly, lies somewhere in between. "We have to be commercial to survive — it's as fundamental as that," says Peter Goldman, director of the association for the past 22 years. But there are those who have worked at the association during the Goldman era who think otherwise. "It's too concerned with making money," suggests one. "The way in which the magazines are marketed has always been a bone of contention."

Many still recall the shock that went through the organisation a decade ago when spiralling costs and falling subscriptions forced a 15 per cent cut in staff. "We simply didn't believe it," remembers another former member of staff. "It was like suddenly losing the innocence of childhood."

Yet Goldman's level-headed approach appears to have paid off. The association is in its strongest-ever financial position and its aggressive marketing has led to a surge of new subscribers; it confidently expects to reach 1m members over the next few years. At the same time the association is at a crossroads. Within the next few weeks a successor is expected to be named to replace the retiring Goldman, who leaves next March.

He or she will be taking over at a time when the consumer movement in Britain seems uncertain of its role in the late 1980s and beyond. Should more pressure be placed on government, for example, to extend the web of consumer protection legislation? Or should the consumer movement adopt a more aggressive, Ralph Nader-style approach to hitting the corporate sector where it hurts most—in its pocket through consumer boycotts and court action?

If there is now some uncertainty over the future role of the consumer movement in Britain—and, more specifically, the part the Consumers' Association has still to play—it once seemed unlikely that such an organisation would ever get off the ground. Comparative product testing along the lines carried out since the 1930s in the US by the Consumers' Union — and published in a magazine called "Consumer Reports" — was felt by many to be too advanced for the UK. It was believed that British libel laws were too strict, and that the Press was likely to boycott publicising such tests because of pressure from advertisers.

Moreover, preliminary market research suggested that housewives had no *conscious* desire for such information.

The exact origins of "Which?" are surrounded by folklore. But the generally accepted version ascribes the idea to Mrs Dorrie Goodman, a young, newly-married American woman who was studying at the London School of Economics. Determined to have a warm house as protection against the English climate, she searched for the British equivalent of "Consumer Reports" so that she could decide which central heating system to install.

When told there was no such magazine, she set about starting one. She and her husband along with Michael Young (later to become Lord Young of Dartington), and a small group comprising economists, lawyers, engineers, and journalists, formed the association and prepared a dummy publication along the lines of the US magazine.

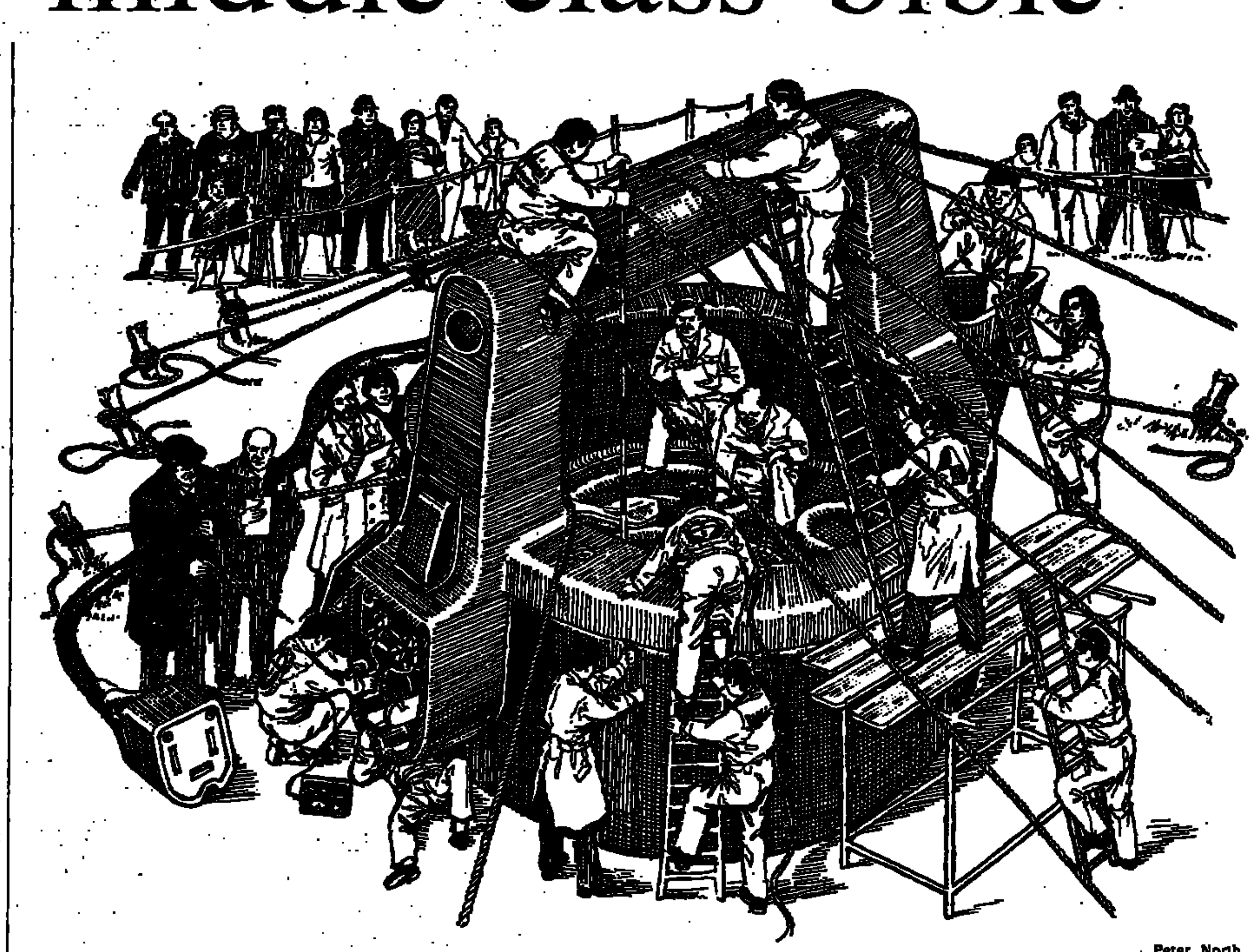
But basic market testing of this dummy—simply by knocking on doors and asking housewives what they thought of it—failed to evoke much enthusiasm. Soon afterwards, Mrs Goodman returned to the US, leaving Michael Young and the others to soldier on with plans for the launch. They felt that, despite all the potential problems, a magazine offering comparative product testing was needed and could be made to work. The shopper, they believed, was at a continual disadvantage, especially as newer, technologically-advanced products become more generally available in the post-war years.

The first issue of the newly-named "Which?"—the brainchild of one of the founders at a late-night session when names such as "Consumer," "Shopping," or "Value for Money" had been bandied about without much enthusiasm—eventually appeared in the autumn of 1957. It contained mutedly critical reports on brands of electric kettles, sunglasses, scouring powders, cake mixes, aspirins, two cars (reprinted from a Swedish test report) and a think-piece on no-iron cottons.

It was an instant success. Prior to its launch, the association had debts of £187. But thanks to massive publicity surrounding its launch, the tiny ex-garage in London's Bethnal Green which served as offices was soon awash with some 10,000 subscriptions at 10s (50p) a time.

In some respects not much has changed in the intervening 29 years. This month's edition of "Which?" looks at aspirin-based hangover cures, products such as best buys in radios and refrigerators, car reliability and corrosion, and a think-piece on what to do about stress.

But over the past three decades the CA has grown from rather an élitist clique of middle-class do-gooders—it is only within the past few years that all subscribers have been made full members with voting powers to elect the association's governing council—to become the largest consumer organisation in Europe, with a turnover last year of £22m and employing over 400.



Peter North

Moreover, it is also a major publishing house in its own right: apart from selling 705,000 copies of "Which?" each month, the CA also publishes "Holiday Which?" four times a year, "Gardening from Which?" ten times a year; the "Which? Wine Monthly"; and a fortnightly "Drugs and Therapeutics Bulletin." (Overlapping subscriptions means that the association's actual voting membership is less than total subscription, at approaching 800,000). It also publishes some 50 books, ranging from the ever-popular "Good Food Guide" to new titles such as "Understanding Mental Health."

Underpinning the association's activities are its own product-testing laboratories based in an ex-Beecham lab in Harpenden, north of London, where facilities include computer-controlled environmental rooms and cabinets, photometric equipment for testing cameras, and endurance rigs for life tests on electrical and mechanical products. Not only do the labs carry out most of the research work for "Which?" reports but they also work on a commercial basis for government departments and international agencies such as the World Health Organisation.

Such commercial research and testing work earned the CA almost £760,000 last year—another example of the association's commercial mindedness along with its aggressive direct marketing campaigns. It spends over £4m a year on its promotional activities helping it to maintain a renewal rate of about eight out of every 10 subscribers, who pay £31 a year for the basic "Which?"

Peter Goldman is unrepentant about his emphasis on running the association on a sound commercial footing. "If Nigel Lawson had gone totally mad last year and imposed VAT on books and magazines, it would have cost us £2.3m a year, but we would have survived, and survived quite comfortably," he says.

"We couldn't have said the same 10 years ago. It is desperately important that the association survives as an independent organisation. Anything set up by the Government can be dissolved at a whim, as happened when the old Consumer Council was abolished in 1971."

Goldman's belief in a self-sufficent consumer organisation is very much in keeping with Mrs Thatcher's philosophy of self-help, and may owe something to his own background. Having been with the Conservative Central Office, Goldman, who considers himself an "unrepentant Butskellite," then lost the previously safe Tory seat of Orpington in Kent to the Liberal Eric Lubbock in one of the most famous by-election upsets of the 1960s. Shortly after that, in 1964, Goldman joined the Consumer Association as director.

He has no doubt, however, of the philosophy and motivation which guides most members of his staff. "This is an organisation motivated with the desire to rectify an intolerable imbalance in society — between the power of producers and sellers and the relative weakness of buyers," he claims. "We are an information collective if you like, providing the information to enable consumers to win the battle in the market-place."

Yet there is little doubt that the association remains heavily skewed towards the affluent, southern-based, middle-classes—the very consumers who are most articulate and intelligent and probably in least need of protection. Goldman has lived with such criticisms for most of his time as director, and not surprisingly disagrees that the CA exists in some elitist ivory tower: "Our first responsibility must be to our subscriber members who provide the bulk of our revenue. Without them we could not exist. But we have for a long time accepted that we have a wider responsibility to consumers as a whole."

This "guilt complex" was tackled in two different ways. In 1971 Goldman persuaded the CA's council to provide funds for an experimental consumer advice centre in Kentish Town, north London. It proved a huge success and enabled the association to persuade local authorities and the Labour administration in the mid-1970s to support the creation of a national network of such centres. At their peak, there were some 128 advice centres throughout Britain. In the 1980s, however, the onset of economic recession and the *laissez-faire* attitude of the Thatcher Government reduced these numbers to 81. "The idea will come back into favour," insists Goldman.

His second approach to the problem was to divert funds and resources towards active campaigning on consumer issues on behalf of all consumers. "When I first came here we were positively against campaigning," he recalls, "since we felt that this was best carried out by the State-sponsored Consumer Council." But its abolition in 1971 and the association's growing desire to spread its wings away from comparative product testing, led to a conscious decision to tackle broader consumer issues.

The first success was the 1971 Unsolicited Goods and Services Act — legislation which enables consumers to throw away unsolicited products without facing legal wrangles. It was steered through by David Tench, a former Inland Revenue tax lawyer who had recently joined the association and who has subsequently become virtually the public face of the CA through his television and radio programmes with Jimmy Young and Esther Rantzen.

Even the return of the National Consumer Council in 1975 did not dampen the association's new-found enthusiasm for campaigning issues. Over the years, it has achieved some notable legislative successes, such as ending the solicitors' virtual monopoly over conveyancing, and tackling broader issues such as the nationalised industries, National Health Service, and problems arising from the Common Market. There have also been notable failures as well, not least the failure to achieve liberalisation of the Sunday trading laws in England and Wales.

"If we are to regard ourselves as an information collective, then campaigning is the dividend," says Goldman. This year the association is spending some 6 per cent of its £22m income on campaigning. According to Goldman, no subscriber has ever objected to the use in this way of the association's funds.

Has all this effort actually changed anything? The UK consumer movement in the late 1980s is clearly in need of a new sense of direction. British consumers are in theory well protected by a comprehensive network of consumer protection laws but, in practice, their lot is a far from happy one. Public services continue to decline while rogue traders flourish — prompting the Office of Fair Trading recently to call for a new law putting the onus firmly on all companies to trade fairly. Grass-root consumer activists of the late 1980s, moreover, are focusing increasingly on specific issues — be it housing or demands for additive-free food — rather than working through the established system. Whoever succeeds Goldman in the CA's hot-seat will have more to worry about in the years ahead than simply presenting the winning cheques to its prize-draw bonanzas.

The Long View

Understanding those election jitters

With party conference time here, the City seems uninterested. But Anthony Harris suspects that some foreign investors are already hedging —which offers a warning and perhaps an opportunity, too

THE City clearly does not believe the opinion polls at the moment. The Conservatives are doing far worse than in previous election cycles when they were in power; and if voting in a coming election matched present intentions, Labour would possibly be in with an overall majority. However, there seems to be next to no serious money that believes a word of this.

The clearest marker is the price of British Telecom shares. Their heavy fall from their peak represents simply a realisation that you do not turn public servants into entrepreneurs simply by selling shares to the public; if BT behaves on the whole like a sleepy monopoly, the shares the fully priced. There is no visible discount for Labour's intentions.

However, BT is almost entirely British-held, and would be threatened only by an outright Labour victory. If you look at securities which are widely-held internationally, notably at gilts, a different picture emerges. Gilts have ben doing even worse than US bonds in the past two or three weeks and now offer a yield that is a downright insult to a Prime Minister who campaigns, above all, on her victory over inflation.

This could be the doing of Chancellor Nigel Lawson. His endless doom-laden warnings about British wages do not seem to have made much impression in British boardrooms but could still frighten investors in New York or Rabat, or their advisors in London. It seems likelier, though, that the advice does not concern British wages, which have been stuck in a groove for a long time, but the British political scene. The advisors may or may not fancy the chances of Labour leader Neil Kinnock, but they don't fancy Mrs Thatcher's, either.

Clearly, a British investor will want to form his own judgment of the political prospects and their economic implications; for if overseas sentiment is over-valuing Mrs Thatcher and excessively discounting any alternative, the smart move is to accommodate foreign hedging, treating it as a buying opportunity. The gilts market offers such an opportunity now, if the unanimous City comment up to a fortnight ago had any rational foundation.

However, this comment is based on economic rather than political prospects, and needs to be put into a political context; and the first point that needs to be grasped is that a hung parliament is probably more of a threat to sterling (and thus to the gilts market) than an outright Labour win. This is the result of just one of Labour's proposals—the tax incentives to encourage institutional investors to bring their money home.

This has been examined fairly closely in the City and the general verdict is that the scheme would work. Over a period, quite a proportion of the £100bn of foreign assets which British investors have acquired during the oil boom would come home—more than enough, in most views, to offset foreign selling of British holdings. It is a hung parliament, with no repatriation scheme to offset the absence of Mrs T., which poses the bigger short-term threat.

A purchase of gilts, then, is effectively a bet on a decisive outcome to the next election, either way. This could be a nervy business, although the running yield would offer some consolation to people who do not pay too much tax.

The more interesting question, to those of an analytic rather than a gambling turn of mind, is to assess the implications for the real economy—and thus in the long run for equities—of a political change. This might look like an impossibly speculative problem but, in fact, there is quite a lot which can be guessed fairly reliably, and it is certainly not all bad.

First, the chances appear reasonably high that any alternative to Mrs Thatcher would greatly increase the chances of Britain joining the European Monetary System. An incoming Chancellor would probably get strong briefs to this effect from his own officials and from the Bank of England; he could get a good case from Mr Lawson, too. Experience in France, especially, suggests that this would be a financially encouraging step, especially for gilts.

Second, any change of government would mean an increase in public sector investment, and steps to damp down consumer borrowing and spending; a hedge portfolio would be relatively long on construction and short on retailing. Also, it would probably mean some restoration of tax incentives for investment in expansion, possibly paid for by higher corporation tax—bad news for sleepy, cash-rich companies but good for old-fashioned growth stocks.

The inflation outlook is harder to read, but probably not too gloomy. This is partly because the international climate is getting more deflationary at the moment, and partly because both the Opposition parties are quite attached to some sort of incomes policy approach which might enjoy at least a honeymoon success. Socialist models from Sweden to Australia will be cited in the propaganda. If the world economy is strong, a consensus approach would stand a better chance than experience might credit it with. If the world economy is doing really badly, inflation will be the least of Britain's worries.

For the private investor, of course, there is one nightmare which will not affect the market or the economy at large too heavily: the clear hint from Shadow Chancellor Roy Hattersley on Thursday that a Labour government would be looking to capital gains as an important source of revenue — perhaps even lumping them in with income, US style. Except for those miserly enough to emigrate, the right response is surely that of a reader who commented on the general City horror at the original (Tory) speculative gains tax.

"Dear Sir," he wrote. "Re speculative gains tax: how do I qualify?"

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MARKETS

New York's hysteria gives City a jolt

WALL STREET led the way for the London market this week, and a bumpy ride it was, too. An attempted rally on *Monday afternoon* was knocked for six when the Dow opened lower, and equities were looking quite steady again on Thursday until Wall Street fell through the floor. Yesterday's further setback was more or less inevitable, *given the scale* of the US declines.

Why should London care if New York gets hysterical? The answer is to be found in the gilt-edged market. Whereas equities had enjoyed several weeks of almost uninterrupted gains from their low point early in August, the price of government securities had continued to drift. Nothing much happened in the money markets over the period of the equity rally, with three month interbank rate hovering around 10 per cent. But the yield on high coupon long dated gilts climbed by well over a quarter of a point, and by Thursday night was up to 9.9 per cent.

This flattening of the yield curve suggests that investors in London were beginning to share the worry about the medium term outlook for inflation which seems to have been the main reason for the US sell-off.

The prices of equities and of gilt-edged securities cannot move in opposite directions for ever. Gilts came under increasing pressure in the early days of this week, with falls of roughly 3 points by Thursday night. And there were further sharp declines as the market opened yesterday morning.

So equities were ripe for profit taking after a five-week rally which had taken the All-Share Index up by nearly a tenth. It would have taken a very stout hearted bull to ignore the headlines in yesterday morning's newspapers.

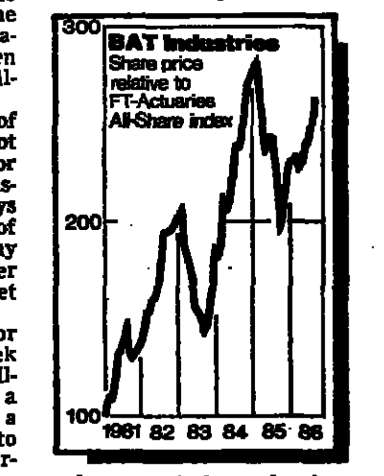
Of course, it is much too early to say whether this is anything more than a temporary setback. Until the past few days, the gilt edged futures market had been moving for some time in a very narrow trading range, suggesting that not all the pressures are on the downside. Gilts still appear quite attractive relative to US bonds, and it looks as if the Government is well up to target with its funding efforts and so may not be especially pressed to sell more stock for the time being.

The big question continues to be about the outlook for interest rates around the world. Another poor set of money supply figures this week more or less wiped out any lingering hopes of an imminent cut in UK rates. On Thursday, the West German Bundesbank again resisted international demands for lower German rates.

Yet, the world economy is still *looking fragile*, and the one thing that seems certain is that governments everywhere will fiercely resist any upward movement in short term interest rates.

It has not been all *macro-economics and monetary aggregates* this week: there have been *lots of interesting* company announcements to divert the mind. On Monday, Labour sketched out its plans for bringing BRITISH TELECOM back under public control — a fear which has led to marked weakness in the share price during recent weeks. Although the plans brought a fierce response from chairman Sir George Jefferson at the annual meeting on Wednesday, at least the proposals do not look anything like outright confiscation. Meanwhile the first quarter figures were bang in line with market expectations, showing a profits rise of around an eighth. The prospective yield is over 6 per cent, and for most of this week the shares looked noticeably steady while all around them sagged away.

London



BRITISH AEROSPACE is another privatised company which has shown a disappointing share price performance lately, but there were some encouraging features in its *interim results on Wednesday*. The orders backlog is up by more than three fifths, mainly—though not entirely—thanks to its big Saudi contract, and the reported profits growth would have been usefully greater but for a strike at the company's military plant at Warton in Lancashire this summer.

The company aims to make up lost production by the end of the year, and looking further ahead it has a decent chance of steady earnings gains. The military workload is well balanced, thanks both to the Saudi contract and the emergence of the new European fighter around the end of the decade. Interest receipts are rising, and following the closure of the Weybridge factory (at a cost of £44m) there is continued scope for cost reduction elsewhere.

The company is confident that the fall in the price of oil will not upset the performance of its Saudi contract, which is being financed by way of oil shipments from the Saudis. And although it is committed as a member of the Airbus consortium to the development of a new generation of long range airliners, it will only go ahead if the big risks that would be involved are borne by taxpayers rather than its own shareholders. The company also seems to rank well down the list in the Labour Party's priorities for any future renationalisation. It all sounds quite promising from the point of view of the investor, and the shares have looked steadier than most.

Another of Britain's biggest companies, BAT INDUSTRIES, reported figures this week—and they looked rather good. First half profits were up by 23 per cent, and although growth is not likely to continue at that pace over the rest of the year, an overall rise of perhaps a sixth looks possible. The prospective dividend yield is probably about 4½ per cent, and the dividend cover is so fat that higher payments seem more or less assured for as far ahead as the eye can see.

All the same, there does not seem to be much enthusiasm for the company's shares at present. The interim figures were boosted by some exceptional gains, and, right at the heart of the business, the US tobacco subsidiary is still having a dreary time. Its profits performance contrasts unfavourably with that of its main US rivals, and although the current half may look better in America, BAT has yet to show that it can check the decline of its main brand.

And what about GUINNESS? Well, the tartan terrors stayed away from its special meeting in droves—depressed, no doubt, by their soccer team's overwhelmingly boring draw with Bulgaria on Wednesday. The Guinness board won support for its new board structure by an overwhelming majority, and will now get on with its attempt to whip the Scotch whisky industry into shape.

Richard Lambert

HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1986 High	1986 Low	
FT Ordinary Index	1,270.9	−67.5	1,425.9	1,094.3	Wall Street vibrations
FT Govt Securities Index	86.74	−1.73	94.51	80.39	US Bonds' slide arouses pessimism
AE	203	−47	250	139	T. and N. bid lapses
APV	560	−40	675	245	Siebe sells 27.5 per cent stake
Appledore (A. and P.)	188	+33	405	105	Bid speculation
BICC	260	−30	370	241	Disappointing half-year figures
Barrack Mines	370	+65	375	135	Broker's recommendation
Beazer (C. H.)	204	−32	252	153	£183m rights issue/US acquisition
Belhaven Brewery	69	+6	72	38	Share stakes change hands
Burmah Oil	370	−36	419	260	Disappointing interim figures
Costain	530	−54	588	452½	Interim profits below estimates
Dew (George)	122	+19	122	84	Takeover speculation
Good Relations	148	+40	180	80	Bid from Lowe Howard-Spink Bell
Howden Group	90	−11	120	90	Warning on profits outlook
Lucas Industries	518	−45	653	473	Fears of industrial action
MIM Holdings	95	+17	153	63	Buoyant Aussies/firm metal prices
Marler Estates	540	+48	555	153½	Glen International bid hopes
Rowntree Mackintosh	375	−40	534	370	Disappointing half-year figures
Shell Transport	890	−75	970	660	Wall Street influences
Titaghur Jute	200	+109	300	24	Comment on Gauri Shanker stake

Buy-outs lead to listings

IN RECENT months, the management buy-out has emerged as a fertile source of new entrants to the USM. But the buy-out is a relatively recent phenomenon and the first detailed research on it, published last week, suggests that the flow of buy-out companies on to the USM, and the main market, has only just begun.

Coincidentally, the two companies which joined the junior market last week—Creighton Laboratories and Newage Transmissions—are both the products of buy-outs.

Creighton Laboratories, which manufactures natural beauty products from seeds, flowers, herbs and fruit for Body Shop and Crabtree & Evelyn, made a sparkling debut. Its shares rose to an immediate premium of 152p from the placing price of 130p when dealings began on Monday, and reached a peak of 195p in the course of the week.

The company was formed in the 1950s but was sold to the retailing group, Dorothy Perkins, in 1974. The management mounted a buy-out in 1975 when Dorothy Perkins was taken over.

Newage is involved in the more prosaic business of manufacturing gearboxes and axles for use in arduous conditions. The progress of its share price has been more prosaic, too, rising from 70p at placement to a high of 79p.

The company is the product of two management buy-outs. The business that now forms Newage was sold to Charterhouse, which then combined industrial interests with its financial activities, in the 1960s. It became part of the management buy-out from Charterhouse which formed the industrial holding company, Paragon, in 1984, and staged its own buy-out in the following year.

In the next few months—once the USM new issues market has recovered from the inevitable lull before and after the Big Bang—a stream of management buy-out companies intend to join the junior market.

Hall's Garden Products, which manufactures garden furniture and glass conservatories, proposes to come to the USM in November. Thermofelt, a producer of acoustic ceilings, which staged a recent management buy-out from the privately owned shopfitting firm, H. N. Barnes, plans a flotation early in 1987.

USM
UNLISTED SECURITIES MARKET

Perhaps the most colourful buy-out issue will be that of Hornby the model train and toys manufacturer, which will come to the USM in early November in an offer for sale through Laing and Cruickshank which should capitalise the company at just under £15m.

Hornby survived the collapse of two successive parent companies—Lines Bros and Dunbee Combex Marx — only to lurch into losses, and receivership, in 1981. The management team spent a year scouting about frantically for finance and eventually assembled a rescue package of institutional investors led by Citicorp.

Since the buy-out, Hornby has survived the intensely competitive conditions in the toy market. The model train has staged something of a resurgence thanks to Thomas the Tank Engine, while the launch of a rather whimsical collection of dolls, the Flower Fairies, has led successful expansion into other areas of the toy market.

According to a study published last week by the Centre for Management Buy-Out Research at Nottingham University, the value of buy-outs staged each year has increased from just £50m in 1981 to £1.25bn last year.

"There is a huge number of companies which staged buy-outs in the early and mid-1980s now preparing for flotation," said David Carter, head of management buy-outs at accountant Peat Marwick Mitchell. "Flotations are inevitable because they represent the most profitable exit for the institutions which backed the buy-out."

The venture capital funds which provide buy-out capital operate within an intensely competitive marketplace. The average fund expects compound growth of between 30 and 50 per cent a year and expects some form of "pay-back" from its investments within three and five years. A flotation represents the swiftest form of pay-back.

But will the USM be attractive to buy-out companies? The Nottingham research suggests that it will. Thus far, almost 60 per cent of the buy-out flotations have opted for the USM including companies such as Benson's Crisps, Goodhead Print and Adam Leisure.

The size of buy-outs is getting bigger, which might encourage a flow of companies onto the main market; but companies are choosing to go public far sooner after their buy-outs, which should stimulate a stream of new issues for the USM.

Alice Rawsthorn

Watch the wonder of Woolworth

WOOLWORTH produces its first results since fighting off the Dixons bid on Wednesday, and shareholders who supported the home team will be looking for a figure which reaffirms their faith in its management.

They should not be disappointed. Comet and B & Q are both thought to have been trading strongly and the Woolworth chain itself should be showing useful gains as its policy of switching to higher margin lines continues.

The difficulty is that the full-year forecast of £105.5m made during the bid is little guide to the figures for the half-year to July because of the group's heavy seasonal bias towards the second half. Analysts are expecting anything from £11m to £20m compared with £7.5m last time, but a figure below £15m would be seen as disappointing.

Stronger US profits will enable UNITED BISCUITS to announce interim pre-tax profits of £47m on Wednesday, up from £36.5m last year. Keebler remains the market leader in the US soft cookie market and has diversified into dessert products and snack foods. The US figures will also benefit from a first-time contribution from Early California Foods.

In the UK, a drop in restaurant profits caused by the decline in tourism will be offset by strong performances from KP Foods. Interest charges will fall as the company benefits from the proceeds of March's rights issue, but the latter will restrict earnings per share growth.

RIO TINTO-ZINC was besieged by a number of adverse factors in its first half and will certainly be unable to match last year's interim figures when it reports on the six months to June on Thursday.

Commodity prices generally were depressed during the period, with copper prices 20 per cent lower, aluminium 15 per cent lower and zinc 39 per cent lower than in the same period last year.

Meanwhile, RTZ's oil interests were hit by the collapse in the oil price, and income from Australia will have been halved by a long strike at its CRA subsidiary. Some mitigation will have come from efficiency gains, but even so the group will be hard pushed to achieve net profits of £95m against £115m last time.

ENTERPRISE OIL has seen its shares halve in value but will be feeling a bit more confident about the outlook for prices when it announces interim figures on Friday.

Results due next week

On the basis of an average oil price of $15 a barrel for the North Sea, analysts were looking for net income of £12m with every $1 above this average producing another £5m net on an annualised basis.

It appears that $15 is a critical level for Enterprise — for at this price the net dividend is covered by earnings and therefore the hope is that the total dividend will be maintained.

The interim figures for RECKITT & COLMAN, due on Wednesday, are expected to show pre-tax profits of around £65m, compared with £57.5m in the same period a year ago.

Last year, Reckitt's profits were boosted by the Airwick acquisition but the purchases made so far this year are not expected to have made significant contributions. The £120m acquisition of Durkee Famous Foods from Hanson Trust, for example, came after this reporting period.

The food and wine division will benefit from some loss elimination, due to the sale of R T French to Pillsbury. But the household and toiletries division, which includes Airwick and lavatory cleaners, is still the largest contributor to group profits. US figures will depend on the succes of the newly-launched Magic Mushroom air freshener.

Boosted by the first year's contribution from Gill and Duffus, DALGETYS preliminaries on Monday should reveal pre-tax profits of around £75m, compared with £67.5m in the previous year.

Dalgety has been pursuing for some time a policy of diversifying from its Australian trading base and that will protect it from the full impact of the decline of the Australian dollar. But Marton Brower and Balfour Guthrie in the US are both expected to show disappointing figures and the UK agricultural services and supply division should show little growth. An extraordinary provision of £25m against probable commodity losses at Gill and Duffus is likely in the aftermath of the tin crisis.

Reductions in underwriting losses are likely to enable LEGAL AND GENERAL to announce on Wednesday interim pre-tax profits up to £30m from £19.9m in the same period last year.

Underwriting losses should be cut by nearly a third from £28.8m recorded in last year's first half and investment income should be marginally higher. On the life side, increased profits from the UK individual division will be offset by a fall in overseas profits,

Company	Announcement due	Dividend (p)* Last year Int.	Last year Final	This year Int.
FINAL DIVIDENDS				
Abaco Investments	Tuesday	0.105	0.14	0.05
Alumax	Monday	—	—	—
Arbuthnot Government Secs. Trust	Wednesday	2.5	2.5	2.5
Armstrong Equipment	Wednesday	0.3	0.8	0.75
Blanchards	Thursday	—	—	1.5
Bristol Channel Ship Repairers	Wednesday	—	—	—
City of Aberdeen Land Assocn.	Tuesday	5.45455	10.9	6.0
Continental Microwave	Thursday	1.75	2.25	1.75
CPO Computers	Tuesday	—	—	—
Dalgety	Monday	5.5	7.0	5.5
DPCE Holdings	Thursday	0.4	1.1	0.48
Green, Ernest	Monday	—	—	—
G.T. Japan Investment Trust	Monday	0.4	1.0	0.4
Haggas, John	Monday	—	—	—
Home Farm Products	Thursday	1.15	2.1	1.16
Lee International	Wednesday	—	—	—
London Securities	Monday	—	—	—
Mucklow, A. J.	Wednesday	2.25	2.8	2.4
Northern Industrial Improvement Trust	Friday	5.0	8.8	5.0
Precious Metals Trust	Wednesday	—	0.55	—
Scholes, George H.	Wednesday	8.0	14.0	8.0
West Yorkshire Independent Hospitals	Friday	—	—	.1.5
INTERIM DIVIDENDS				
Abbot Mead Vickers	Wednesday	—	1.5	
Baird, William	Thursday	5.13333	7.80	
Banro Industries	Wednesday	1.5	4.33333	
Barrow Hepburn	Thursday	1.0	1.5	
Barton Group	Tuesday	—	—	
Boddingtons Breweries	Thursday	1.33	1.92	
Bodycote International	Thursday	2.5	3.5	
Bramall, C. D.	Monday	2.6	5.17	
Breedon and Cloud Hill Lime Works	Friday	3.0	7.0	
Bridon	Wednesday	1.5	3.5	
Brixton Estate	Tuesday	2.3	3.35	
Candover Investments	Tuesday	—	4.0	
Cory, Horace	Friday	0.2	0.2	
Croda International	Tuesday	3.0	4.0	
Crowther, John	Tuesday	—	0.5	
Delaney Group	Tuesday	0.8	1.8	
EIS Group	Monday	1.85	4.9	
Enterprise Oil *	Friday	3.5	5.0	
Estates and General Investments	Tuesday	0.825	1.675	
Fisons	Tuesday	2.16	3.34	
Garton Engineering	Thursday	1.0	2.5	
Hall Engineering	Tuesday	3.66	4.71	
Hampden Homecare	Thursday	—	0.5	
Iceland Frozen Foods	Tuesday	2.2	4.4	
Kenning Motor Group	Thursday	2.5	4.0	
Laporte Industries	Thursday	3.2	5.05	
Legal and General	Wednesday	2.83333	5.33333	
Lister and Co.	Friday	0.25	1.0	
Mackay, Hugh	Monday	1.4	3.2	
Macro 4	Tuesday	—	—	
Manders (Holdings)	Monday	2.1	6.0	
Manor National	Monday	—	—	
Minet Holdings	Wednesday	2.73	3.5	
More O'Ferrall	Thursday	1.0	3.0	
Morrison, Wm. Supemarkets	Thursday	0.35	1.0	
Parrish, J. T.	Thursday	—	—	
P-E International	Monday	—	—	
Perry Group	Thursday	1.65	2.85	
Pittard Group	Tuesday	0.96	2.76	
Ransomes Sims and Jefferies	Monday	1.5	3.5	
Reckitt and Colman	Wednesday	6.0	10.0	
Rio Tinto-Zinc	Thursday	7.0	15.0	
Scottish Heritable Trust	Wednesday	1.4	1.6	
Shires Investment	Monday	2.5	5.75	
Simon Engineering	Monday	2.5	9.0	
Soundtracs	Monday	—	—	
Stewart Wrightson	Tuesday	3.15	7.85	
Suter	Monday	1.16667	2.33333	
Television Services International	Monday	1.0	1.0	
Trade Indemnity	Tuesday	1.41667	1.83333	
Trinity International	Thursday	4.2	10.8	
United Biscuits	Wednesday	2.86	5.15	
Watmoughs	Tuesday	1.7	4.8	
Wolstenholme Rink	Thursday	2.5	5.25	
Woolworth Holdings	Wednesday	3.0	7.0	
Yule Catto	Tuesday	2.5	4.5	

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue.

INTEREST RATES: WHAT YOU SHOULD GET FOR YOUR MONEY

	Quoted rate %	Compounded return for taxpayers at 29%	45%	60%	Frequency of payment	Tax (see notes)	Amount invested £	Withdrawals (days)
CLEARING BANK*								
Deposit account	4.30	4.39	3.40	2.47	monthly	1	—	0-7
High interest cheque	7.20	7.40	5.73	4.17	quarterly	1	2,500 minimum	0
Three-month term	6.50	6.66	5.16	3.75	quarterly	1	2,500-25,000	90
BUILDING SOCIETY†								
Ordinary share	5.25	5.32	4.12	3.00	half yearly	1	1-250,000	0
High interest access	7.00	7.00	5.42	3.94	yearly	1	500 minimum	0
High interest access	7.25	7.25	5.62	4.08	yearly	1	2,000 minimum	0
High interest access	7.50	7.50	5.81	4.23	yearly	1	5,000 minimum	0
High interest access	7.75	7.75	6.00	4.37	yearly	1	10,000 minimum	0
90-day	8.00	8.16	6.32	4.60	half yearly	1	500-24,999	90
90-day	8.25	8.42	6.52	4.74	half yearly	1	25,000 minimum	90
NATIONAL SAVINGS								
Investment account	10.75	7.63	5.91	4.30	yearly	2	5-100,000	30
Income bonds	11.25	8.41	6.52	4.74	monthly	2	2,000-100,000	90
31st issue‡	7.85	7.85	7.85	7.85	not applicable	3	25-5,000	8
Yearly plan	8.19	8.19	8.19	8.19	not applicable	3	20-200/month	14
General extension	8.01	8.01	8.01	8.01	yearly	3	—	8
MONEY MARKET ACCOUNTS								
Money Market Trust	7.03	7.15	5.54	4.03	half yearly	1	2,500 minimum	0
Schroder Wagg	6.73	6.94	5.38	3.91	monthly	1	2,500 minimum	0
Provincial Trust	7.48	7.74	6.00	4.36	monthly	1	1,000 minimum	0
BRITISH GOVERNMENT STOCKS§								
7.75pc Treasury 1985-88	9.51	7.23	5.98	4.80	half yearly	4	—	0
10pc Treasury 1990	9.97	7.07	5.48	3.98	half yearly	4	—	0
10.25pc Exchequer 1995	10.07	7.12	5.49	3.96	half yearly	4	—	0
3pc Treasury 1987	7.72	6.83	6.33	5.87	half yearly	4	—	0
3pc Treasury 1989	7.40	6.47	5.96	5.48	half yearly	4	—	0
Index-linked 1990¶	8.38	7.02	6.69	6.38	half yearly	2/4	—	0

* Lloyds Bank. † Halifax. ‡ Held for five years. § Source: Phillips and Drew. ¶ Assumes 4 per cent inflation rate. 1 Paid after deduction of composite rate tax, credited as net of basic rate tax. 2 Paid gross. 3 Tax free. 4 Dividends paid after deduction of basic rate tax.

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £m's**	Bidder
Prices in pence unless otherwise indicated.					
Barrie Inv & Fin¶	17½	17	16½	16.82	Bestwood
Bestobell¶	528	525	498	85.03	Meggitt Hldgs
Blacks Leisure	3.6*	4	5	2.00	Sears
Bluebird Confctn	112*§	105	98	4.07	Hillsdown
Brengreen	50§§	50	41½	32.80	BET
Browalee	74*	75	64	17.7	Meyer Intl
Bruntns (Mbrgh)¶	73‡‡	71	55	5.60	Carlco Eng
Gilbert House	15*§	15	13	4.32	Letts Green Est
Good Relations	155	145	133	13.14	Lowe-Howard-Spink & Bell
Greenbank Group	60	56	49	15.12	Walker (C. & W.)
Hargreaves Grp	218§ §§	255	180	78.23	Coalite Grp
HAT Group	149	141	94	114.22	BET
Hill (Philip) Inv Tst	¶¶	320	323††	¶¶	BPCC
Lead & Midland	231	217	213	37.55	Williams Hldgs
Man Ship Canal¶	625*§	665	660	23.49	Highams
Marlborough Prp	109	99	99	28.66	Rivlin (I D & S)
May & Hassell	151	148	112	14.17	Hillsdown Hldgs
Mayhew Foods¶	128	126	115††	17.38	Northern Foods
Meadow Farm Pro	305	292	275††	61.91	Hillsdown Hldgs
Ocean Transport & Trading	225*§	234	217	257.53	IEP
Plan Invest Grp¶	126	118	105	3.77	Stakis
Prop Hldg & Inv	127	128	145	100.21	Greycoat Group
PSM Intl	194§§	192	180	23.54	McKechnie Bros
Rotaflex	490*	482	483	54.19	CTF Corp
Webber Elect	110*	105	98	5.07	IMI
Wingate Prop Inv	450*	420	130††	20.68	Chase Corp

* All cash offer. † Cash alternative. ‡ Partial bid. § For capital not already held. ¶ Unconditional. ** Based on 2.30 pm prices 12/9/86. †† At suspension. §§ Shares and cash. ¶¶ Related to NAV to be determined. ||| Loan stock. ‡‡ Suspended. || Swedish kronor. a Tender offer for 25.1 per cent of capital. b Uns. Loan Note offer.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Canters	Apr	714	(424)	—	(—)	2.25	(2.0)
Central & Sheer	Dec	1,530L	(12,100)L	—	(—)	—	(—)
Checkpt Eur	Mar	602	(116)	—	(—)	—	(—)
Comtech	Mar	8L	(13)L	—	(—)	—	(—)
Copson, F.	Apr	148	(113)	2.2	(1.8)	1.75	(1.5)
Crests	June	614	(326)	11.0	(9.4)	1.06	(—)
Dialene	May	984	(667)	20.1	(17.6)	3.0	(—)
Douglas, R. M.	Mar	1,780	(990)	—	(—)	3.25	(—)
Framlington Grp	June	3,890	(1,490)	38.4	(21.0)	9.0	(5.0)
Goodman Bros	Apr	234L	(529)L	—	(—)	—	(—)
Haynes Publshg	May	1,560	(1,700)	19.1	(19.4)	14.0	(13.0)
Intereurope Tech	June	1,630	(1,630)	—	(—)	5.8	(5.4)
Isotron	June	1,480	(1,130)	—	(—)	1.5	(1.0)
Lon Merch Secs	Mar	17,210	(16,490)	4.8	(5.8)	2.55	(2.2)
Magnetic Mat	June	1,330	(2,220)	6.3	(11.1)	1.87	(—)
Media Tech	May	2,180	(2,039)	13.8	(12.2)	—	(—)
Pacific Sales	June	353	(450)	4.7	(5.3)	3.0	(3.0)
Ricardo Cons	June	2,770	(2,120)	11.8	(9.2)	3.25	(2.75)
Sheldon Jones	May	737	(804)	9.7	(8.6)	4.65	(4.65)
Signex Intl	July	236	(1,195)	2.3	(12.6)	0.53	(—)
Sirdar	June	10,280	(9,530)	—	(—)	5.15	(4.12)
Star Computer	June	620	(237)L	—	(—)	1.0	(—)
Stewart & Wight	Mar	105	(73)	77.9	(76.3)	27.5	(15.0)
Trade Prom Serv	Apr	975	(767)	—	(—)	4.35	(3.8)
Triton Europe	Dec	13,540	(8,890)	6.7	(7.3)	—	(—)
Walker, Thomas	June	273	(250)	2.5	(1.9)	0.95	(0.9)
Whitworth Elec	June	423L	(15)	—	(—)	—	(—)
Wyndham Grp	Mar	189	(—)	7.7	(5.0)	1.8	(1.5)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
APV Holdings	June	10,800	(6,500)	7.0	(4.5)
Assoc Brit Ports	June	11,000	(4,000)	2.0	(1.63)
Aurora	June	4,800	(4,000)	0.5	(—)
Barham Group	July	2,110	(713)	1.5	(0.75)
BAT	June	539,000	(438,000)	5.5	(4.75)
Benlox Hldgs	June	109	(67)L	0.55	(0.5)
BICC	June	47,000	(45,543)	3.5	(3.5)
Blockleys	June	1,040	(1,020)	11.0	(10.0)
Boasse Massimmi	June	1,680	(1,480)	1.75	(1.5)
Booker	June	21,380	(17,640)	4.75	(4.25)
Bowater	June	18,900	(13,200)	4.0	(3.75)
British Aero	June	80,300	(68,300)	6.4	(5.8)
Brit Mohair	June	1,780	(1,670)	1.25	(1.25)
British Vita	June	8,130	(5,250)	4.0	(3.3)
BTR	June	203,000	(151,000)	3.5	(2.5)
Burmah Oil	June	22,000	(20,700)	4.5	(4.5)
Caparo Ind	June	615	(91)	0.75	(0.75)
Costain	June	21,200	(26,600)	7.0	(6.5)
DRG	June	20,600	(15,846)	3.65	(3.32)
Elys (Wmbldn)	Aug	2	(82)	1.0	(1.0)
European Ferries	June	4,000L	(5,600)	1.1	(1.1)
Executex CI	June	196	(140)	1.5	(—)
Expamet Intl	June	2,240	(1,970)	2.7	(2.35)
Fitch & Co. Des	June	745	(737)	2.2	(2.0)
Ford & Western	Mar	254	(—)	—	(—)
Friendly Hotels	June	171	(71)	0.5	(—)
Gibbs & Dandy	June	268	(153)	—	(—)
Hartons Group	June	1,700	(1,320)	0.53	(0.44)
Hawley Group	June	17,000	(9,233)	—	(—)
Hepworth Cer	June	17,660	(13,540)	3.1	(2.9)
Hollis Group	June	1,020	(806)	—	(—)
Home Cnts News	June	746	(324)	3.25	(1.5)
Intl Bus Comm	June	804	(418)	0.75	(—)
IPECO Hldgs	June	1,600	(1,840)	1.0	(—)
Keep Trust	June	923	(764)	2.2	(1.88)
Laidlaw Group	June	412	(394)	1.2	(1.1)
Laing Group	June	12,000	(11,215)	2.5	(2.0)
Laird Group	June	13,400	(13,086)	2.9	(2.4)
Lon Utd Inv	June	4,100	(2,412)	6.5	(5.0)
Lopex	June	1,510	(1,200)	1.8	(1.8)
Low & Bonar	May	6,420	(5,370)	3.5	(3.0)
Lyon & Lyon	June	210	(263)	1.5	(1.5)
McAlpine, A	Apr	7,000	(6,800)	—	(—)
Mellerware Intl	June	22	(10)	1.1	(1.0)
Micro Bus Sys	June	1,300L	(859)	—	(—)
Newey Group	June	539	(687)	—	(—)
Newman Ind	June	2,350	(2,136)	0.5	(0.3)
Nurdin & Peacock	July	4,800	(4,000)	2.0	(1.65)
Oilfield Ins Serv	June	296L	(264)	—	(—)
PCT Group	June	280	(167)	1.6	(1.6)
Pearson	June	44,100	(41,700)	5.0	(4.25)
Persimmon	June	2,020	(1,050)	2.1	(1.75)
Phicom	June	357L	(575)	0.2	(0.35)
Prov Fin Group	June	5,670	(7,150)	4.0	(3.33)
Prudential	June	64,700	(45,100)	10.0	(9.0)
Reabrook Hldgs	June	485	(455)	0.9	(—)
Rob Bros (Ry Gm)	June	322	(730)	—	(—)
Rowntree Mack	June	20,800	(20,500)	4.4	(4.0)
Savoy Hotel	June	5,030	(4,725)	—	(—)
Schroders	June	15,600	(13,500)	3.0	(3.0)
Senior Eng	June	3,630	(2,350)	0.87	(0.83)
Sherwood Comp	June	480	(339)	1.25	(1.0)
Systems Rel	June	1,800	(1,510)	1.7	(1.5)
Tech Prog Serv	June	404	(259)	0.66	(—)
Tilbury Group	June	1,570	(1,040)	1.8	(1.5)
Tyne Tees	June	1,690	(1,340)	—	(—)
VG Instruments	June	7,500	(4,400)	1.2	(0.7)
Vickers	June	21,200	(18,700)	6.0	(5.0)
Ward White	June	10,280	(7,600)	2.25	(1.95)
Wayne Kerr	June	244	(625)	0.6	(0.5)
Willis Faber	June	48,000	(32,600)	3.5	(2.5)

(Figures in parentheses are for the corresponding period.)
* Dividends are shown net pence per share except where otherwise indicated. L Loss.

OFFERS FOR SALE PLACINGS AND INTRODUCTIONS

IFICO—Vendor placing of 5.67m shares at 75p.
Mid-Sussex Water Co.—Placing £3m 11 per cent red stock 2012-16 at £110.
Sandell Perkins—Offer for sale of 8.5m shares at 135p.

RIGHTS ISSUES

Appleyard Group—To raise £3.2m through a one for three rights issue at 125p.
Beazer, C. H.—To raise £183m in a two for three rights issue at 180p.
Comtech—To raise £5m-£7m through an issue of 11¾ per cent convertible unsecured loan stock 1996; £5m to be raised through a rights issue on the basis of £1 nominal for every £5 shares held.
IFICO—To raise £2m through a one for five rights issue at 75p.
Persimmon—To raise £6.5m through a one for four rights issue at 215p.
Tilbury Group—To raise £6.5m through a one for three rights issue at 140p.

Plunge . . . but no panic

NOT EVEN a record plunge on Wall Street on Thursday could bring the Tokyo stock market out of an uncharacteristic torpor that has gripped it since the beginning of the month.

And the word is that the torpor will continue for a while yet, mainly because the brokers are, for the moment, not that interested in generating sales.

Tokyo duly bowed to New York yesterday, sending the Nikkei Index tumbling a record 460.73 points to 18,100. However, there was no sense of panic in the market and volume was only 900m shares, nothing exceptional compared with the pattern of the past two weeks and less than half the daily business that was being done in the frenzied days of August.

Similarly, early in the week the market seemed content to take the amiable smiles of Finance Minister, Kiichi Miyazawa as sufficient indication that nothing unpleasant had transpired at his suddenly scheduled and secretive meeting with US Treasury Secretary James Baker last weekend in San Francisco.

Japan's Miyazawa and Baker . . . secretive meeting

It is difficult to say if this torpor is the result of boredom or paralysis brought on by a state of high anxiety. Certainly, the ingredients for both are present. On the one hand, the same boring old shares — Nippon Steel, Mitsubishi Heavy Industries and Ishikawajima-Harima (IHI)—continue to figure prominently in the most active lists.

Tokyo

Their popularity is due mainly to the high volume of shares available for trading and to their hidden property assets. Some analysts actually cheer whenever these companies issue bad news, because they think it hastens the day when they will be obliged to abandon their failing businesses and realise their property potential.

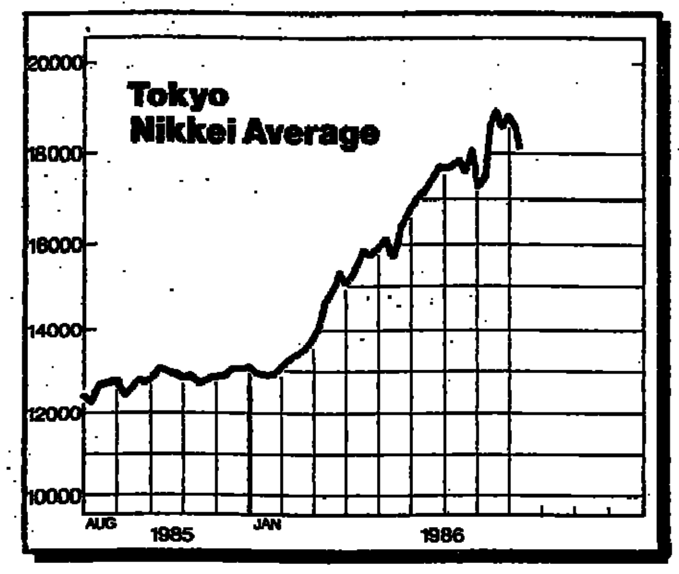
On the other hand, share prices in general remain breathtakingly high—the overall market is on a price-earnings ratio of about 50—and the trend of the market has turned unnervingly flat.

For all the excitement of the past couple of months, the Nikkei Index is only 2.5 per cent higher than it was on July 1. And, given the high prices, it is difficult to argue that this is a plateau from which shares will soon soar to new heights. Also, the volatility tends to be very high, with the market changing direction every few days.

Thus, the dominant view of the market outlook among analysts has suddenly become very cautious. As one broker's circular put it this week: "In the very short term, there would seem to be little to boost the market to new levels."

Analysts tend now to concentrate on the reasons why the market should not fall, rather than on causes for it to rise. Chief among the arguments against a fall is the tremendous amount of surplus money accumulated in Japan, and the lack of attractive alternatives for savings. With bank savings account interest rates at less than one half of one per cent, shares look like a good bet for many people.

Also, it is difficult to see a major recession occurring. Japanese domestic economic indicators remain fairly healthy, with strong growth in the housing and retail sectors, for example. And there seems no sign of a resurgence of inflation.



There are a number of positive factors looming up on the horizon for the market, although it is hard to imagine that they and many other things have not already been discounted.

Next week, for example, the Diet (Parliament) will debate a number of huge infrastructure development projects for the Tokyo Bay area. This is the stuff on which the economy must be restructured; and if the politicians decide to accelerate the projects, the market could react favourably.

Similarly, the long-awaited supplementary Budget will soon be aired, giving some cause for reviewing the prices of Budget-sensitive shares.

However, for a couple of weeks at least, the market is likely to remain quiet. Next week sees the annual conference of the Japan Securities Dealers Association and the stockbrokers are likely to be very busy congratulating themselves on an excellent year. Thanks to the record volumes of recent months, the brokers are expected to show profit increases of up to 80 per cent this year.

Share salesmen, too, have done well. Many have long since made their quotas and thus have lost their incentive to sell, analysts say. However, come October 1, they — and perhaps the market—will start afresh.

Ian Rodger

Gold holds on

THE RISE in gold prices this week began to acquire an increasing momentum of its own. After following in the wake of platinum for most of the summer, gold this week held on to its gains while platinum fell back sharply.

As a result, gold is still poised at its highest levels for three years, closing in London yesterday at $415.25 an ounce. Platinum prices bounced around wildly before finishing the week at $582.50 an ounce in London —well down on last Friday's peak of $673.75 an ounce, the highest for over five years.

The climb in platinum prices, inspired by fears of interruption of supplies from South Africa, has been so rapid and precipitous that some profit-taking by investors seemed inevitable.

But investors' support for the gold price grew stronger this week as they became very nervous of the bond and equity markets. In London and New York there were record one-day falls on the stock markets. Americans in particular, with many of their investment programmes determined by computer, rushed for cover by buying bullion.

So where does this leave gold? Gold bulls argue that renewed fears about inflation, especially in the US, added to worries that riots or strikes might cut South African supplies, mean that the price of bullion should continue to rise. David Williamson, of broker Shearson Lehman Brothers, this week writes in his company's newsletter that the total value of the West's new-mined gold at $400 an ounce is only about $16bn — which is less than last month's $18bn US trade deficit. As a result, it should not take much money to move gold significantly higher, possibly to $500 an ounce, he says.

Investors who are more cautious of gold point out that only a few weeks ago US markets were more concerned about deflation than inflation. They add that inflationary fears should sooner or later prompt a rise in interest rates, increasing the attraction of holding money once more.

Nevertheless, the increase recorded so far this year has provided a healthy boost to the earnings of gold companies, particularly the South Africans who count their profits in much-depreciated rands.

This week, Gencor revealed a 51 per cent rise in first half net income to R230.8m ($96.7m) from R152.4m. An increase in attributable income from gold and uranium from R33.8m to R43.8m more than compensated for unchanged income from platinum, which was hit by labour troubles at Impala Platinum earlier in the year.

The results also showed the first fruits of the efforts Derek Keys, Gencor's new chief executive, is making to sort out the group's unsuccessful industrial interests. Losses at the industrial and commercial interests were cut from R12m in the first half of 1985 to R0.2m.

Mining

Keys says that a further moderate improvement can be expected in the second half, but that the rate of improvement has been slower than anticipated. Gencor shareholders are still paying for the mistakes of the past—as is amply illustrated by the fact that the group is underwriting a R200m rights issue by Sappi, its paper-making associate, which will be used to cut debt and accelerate the resumption of dividend payments.

Gencor itself is paying an 80 cent interim, up from 55 cents, an increase which does not offset the decline in the rand over the period for UK investors.

Meanwhile, shareholders in Western Mining suffered a sharp though not unexpected cut in their payment for the year to the end of June 1986. The company cut its dividend by half to two Australian cents following a decline in profits to A$27.9m (US17m) from A$40.4m. Western said the fall was mainly due to a six-week strike at the Kambalda nickel and gold mine in Western Australia and hopes for better things this year.

One group company which goes from strength to strength is Central Norseman Gold, which announced a final payout of 40 cents, making 60 cents for the year, against 35 cents last year. Operating profit was 97.5 per cent higher at A$24.9m, as a result of a 19.2 per cent increase in gold production, a 14.2 per cent rise in prices and a 6.5 per cent cut in costs.

Stefan Wagstyl

Bewitched and bothered

TINKLING cow bells and idyllic scenery provided a soothing if somewhat surreal background yesterday for the leaders of the world's futures and options industry as they learnt of Wall Street's record sell-off.

The decline, apart from being unnerving, again raised the question: does futures and options trading unduly distort the stock market?

The annual meeting at the Swiss mountain resort of Buergenstock, with views over Lake Lucerne on one side and across the Alps on the other, brings together the heads of all the world's futures and options exchanges and some of their key regulators. Yesterday the tranquillity was inevitably broken as hasty calls were made to Chicago, and New York. Had the exchanges successfully handled the very heavy volumes? What had caused the markets' decline?

In recent months, sharp moves on Wall Street have been habitually ascribed to programme trading, and this week's was no exception. Though the term covers any computer-assisted purchase or sale of a basket of stocks, it is most often used to refer to arbitrage plays involving the stock market on the one hand and stock index futures and options on the other.

At the simplest, such a strategy typically involves the simultaneous purchase of a basket of stocks making up an index, and the sale of futures or options contracts on the same index. If there is a sufficiently large discrepancy between prices at the time when these trades are made, it virtually guarantees a risk-free arbitrage profit. The trader simply unwinds the position as the index contract expires, or else at sometime before that if the price gap narrows. The process can lead to violent swings in the stock market at the quarterly expiration of the futures and options contracts—the so-called triple-witching hour which will occur next Friday.

The question being asked yesterday was whether Wall Street's fall was simply an exaggerated reaction to fundamental economic factors, or whether it represented the triple-witching hour in advance. Under this scenario, a sharp fall in futures prices made it profitable to unwind arbitrage positions prematurely, buying futures and selling stocks. Other recent triple-witching days have been preceded by sharp market moves as programme trades were apparently unwound.

Futures

Lewis Horowitz, president of the New York Futures Exchange, seemed to voice the latter answer when he asked: "After yesterday, why do you think that next Friday will be important?"

Walter Auch, chairman of the Chicago Board Options Exchange, echoed some of the widespread concern: "Programme trading could be doing a good deal of harm," he said, calling for a thorough examination by the Securities and Exchange Commission going far beyond investigations of the triple-witching hour alone.

"These kind of moves, if they are programme trading-related, are very injurious to the market place. A lot of people who've been looking at the stock market as a place to put their money are going to have second thoughts," Auch said.

The widespread opinion at Buergenstock, however, was that Thursday's drop was not due to selling by arbitrageurs, but to selling pure and simple, whether computer-aided or not. Futures and options exchanges, as well as leading investment banks involved in programme trading, insist that arbitrage plays do not make the stock market more volatile. They say, in fact, that by most measures stock markets are no more volatile than in the past. Sudden short term fluctuations, they say, are due to more sophisticated technology which allows much bigger orders to be put in simultaneously.

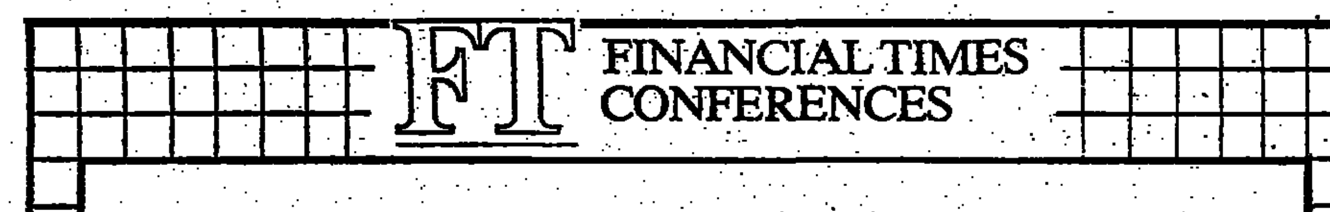
"Programme trading does not affect the fundamental value of individual stocks," said William Brodsky, president of the Chicago Mercantile Exchange. The CME and other exchanges, however, have been co-operating with the SEC in its efforts to iron out the triple-witching effect, and new measures to handle it will be applied on Friday.

The exchanges got powerful backing from one of their two key regulators. Susan Phillips, chairman of the Commodity Futures Trading Commission, which regulates US futures markets, said the CFTC had not been able to trace big stock market moves to activity by large futures traders.

Arbitrage, she said, is a positive influence on the market because it provides additional liquidity. Regulators should be wary of jeopardising the liquidity of the market, which allows institutions to invest and hedge more efficiently, by imposing limits on arbitrageurs.

"It is not just a futures and options problem," she said. "It is one large market."

Alex Nicholl



Easier overdrafts

THE evidence of the clearing banks' eagerness to woo personal customers comes this week with the launch of a simpler overdraft facility by National Westminster Bank. Called Credit Zone it is an agreed overdraft on a customer's current account which the bank says is designed to meet the "short-term and occasional borrowing needs of creditworthy customers."

The main difference between Credit Zone and a conventional authorised overdraft facility is that once the pre-arranged limit has been set customers can use it as and when they want and there is no need for a regular review. In addition, there is no pre-determined final repayment date. Provided they do not exceed their agreed limit, customers can repay according to their own circumstances.

At current rates the interest charged on a Credit Zone facility will be 18.5 per cent a year, equivalent to 1.5 per cent a month (effective APR 19.8 per cent). This is higher than that charged on a conventional authorised overdraft where the interest rate varies from 5 to 7 per cent above base rate—currently between 15 and 17 per cent—depending on the amount involved and the repayment term. In addition, a £5 fee will be charged each quarter but only if the facility is used during that period. With a conventional overdraft, NatWest charges an up front arrangement fee of 1.5 per cent of the agreed overdraft amount, regardless of whether or not the customers draw on the facility.

NatWest claims that Credit Zone will generally be cheaper for its customers. As an example it points out that the arrangement fee on a conventional overdraft of £1,500 over one year would be £22.50, whereas a customer using a Credit Zone facility over the same period would pay £20 but only if the facility was used in each quarter. But direct comparisons are difficult since it would depend on how much was borrowed and for how long and in some situations Credit Zone could prove to be the more expensive.

Credit Zone users would in any case be charged the same £3 a quarter maintenance fee that is charged on a conventional overdraft as well as other personal tariff charges such as 25p for each debit.

Though NatWest is the only clearer to publicise such a facility, Lloyds Bank has also been operating a simplified authorised overdraft facility since the end of June which, for new customers, will replace its conventional authorised facility. It operates very much along the same lines as NatWest's Credit Zone in that, once agreed, a customer can dip into it at will without regular reviews.

There are no fixed minimum and maximum limits. These are negotiated on an individual basis. In addition there is no extra fee beyond the interest charged, though this is higher than at NatWest. The charge is 1.6 per cent a month or 19.2 per cent (effective APR of 20.9 per cent). This is the same rate as it now charges on its conventional authorised overdrafts on which there is also an arrangement fee.

This is fixed at the branch manager's discretion and varies between £10 and £25, depending on the size of the overdraft and the repayment term. Thus Lloyd's Bank's new facility is cheaper than its previous overdraft arrangements. Its customers also enjoy the advantage of a monthly charging system.

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LONDON stockbrokers Walker, Crips, Weddle, Beck have introduced a service offering cheap commission rates to clients making their own investment decisions.

Clients using the Investor-link service will be able to call up free, using a Link-line number, with orders to buy or sell ordinary UK shares and unit trusts. Commission charges for the service, which covers simply dealing instructions and does not offer advice or information, range from £7 for transactions up to £249 rising to £15 for orders between £789 and £920. For larger sums the current basic minimum charge of 1.65 per cent will apply until October 27, the date of the Big Bang when the fixed rate for commissions is scrapped.

Mr Michael Sunderland said the introduction of Investor-link anticipated the fact that there would be a new world in stockmarket dealings after October 27.

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UK LIFE Assurance is following the example recently set by Sentinel in abolishing the normal front-end initial charge on its single premium unit linked investment bond to be launched in October. For a limited period units will be allocated at 100 per cent of the bid price.

However there is a price to pay to help UK Life cover its costs. You are heavily penalised if you cash in the bond early. During the first year you get back only 94 per cent; followed by 95 per cent in the second year, 96 in the third and 98 in the fourth. At the same time you pay an above the industry normal annual management charge of 1 per cent.

Nevertheless advocates of no front-load funds claim that you gain from having 100 per cent of your investment working for you right away, instead of 5 per cent being deducted through the bid-offer spread.

Minimum investment is £1,000 which will be linked to a range of six investment funds launched on August 1. The first switch in each year is free, after that you pay £15 a switch.

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THREE NEW investment guide books have been launched this week, two of them by the same publisher — Rosters. Unit Trusts Explained, the first comprehensive book to be published on the subject for several years, guides readers step by step through the process of choosing the correct investment to suit their needs.

The guide, which is sponsored by Barclays Unicorn, includes chapters on investing for capital growth, how to get a monthly income, and when not to invest in unit trusts as well as routes to international investment and offshore options. It is also the first book to include full details of Personal Equity Plans.

Written in a clear down-to-earth style by Rosemary Burr, with a question and answer section and a glossary, it is available from leading bookshops for £3.99; or for an additional 50p (p&p) direct from Rosters, 60 Welbeck Street, London W1.

Rosters's second book is particularly timely given the bad publicity on time-sharing. Sun, Sand and Cement is a guide to buying overseas property with the emphasis on advising you how not to get cheated.

There is a run-down on more than 40 developments in nine countries as well as chapters on the cost of living, travel and weather, plus a directory of international developers, surveyors and UK solicitors who specialise in handling overseas homes.

Written by Cheryl Taylor, it is available from leading bookshops for £5.99 or direct from the publisher.

Meanwhile, an informal guide to building society taxation has been published by the Rowley Regis Building Society in conjunction with Tolley Publishing. Explaining simply, but in depth, the taxation aspects of both investing and borrowing from a society, the guide, with a cover price of £3.95, is being made available to Rowley Regis's own members and associated professional firms.

A further 2,000 copies are available on a first come, first served basis from the society at 222, Halesowen Rd, Cradley Heath, Warley, West Midlands.

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THE BRAVE new world for investors being created by the Financial Services Bill is still far from complete. However, investors can now see the form it will take and the way it will operate.

The latest set of draft rules from the Securities and Investments Board (SIB) — which has been sub-contracted to build this new world—was issued on Thursday and brings together all previous rules while adding some new ones. Investors have their last chance of putting forward their views on investor protection — which, in case anyone has forgotten, is what the whole business is about.

The document—Regulation of Investment Business: Draft Rules and Regulations — is a massive tome with 10 chapters. Next week, there will be an analysis of the rules as they affect the private investor and the small intermediary. But for those who want to get to grips with the situation now, copies can be obtained for £25 (£35 overseas) from the Securities and Investments Board, 3, Royal Exchange Buildings, London EC3V 3NL.

Dominic Lawson examines Labour's plans for British Telecom

Exchange—but no robbery

THE LABOUR Party's planned method of renationalising British Telecom, revealed this week, has been received with outright hostility by the company but obvious relief in the City. This divided response may in part be explained by the fuzziness of the proposals. The Labour Party is understandably unwilling to make precise commitments which will only act as a target for political attack either from the Government or left wingers within the Labour Party itself.

The City's fear has been that the Labour Party would compulsorily acquire the 51 per cent stake in the company in private hands at the 130p per share at which they were sold. In the past few months the price has fallen by a third from its peak of 278p as fears of a Labour election victory grew. The City is notoriously neurotic about such things. Investors might take the view that the prospect of Labour having an absolute majority in the House of Commons after the next election is still very much odds against.

But it now appears that even a majority Labour Government will not force shareholders to sell at 130p. The Labour Party has similar plans to renationalise British Gas, and clearly does not want to spend the £10bn or so it would cost to buy back both companies even without rewarding capital gains. So it has decided to offer alternative securities in British Telecom, which it could exchange for the existing equity with no effect on the Public Sector Borrowing Requirement.

Shareholders will be offered either capital growth certificates, which would grow in proportion to the net asset value of the company, or income bonds which would pay out a rate of interest related to existing money market rates. Although the Labour Party seems deliberately unclear on this point, it appears that the securities will be offered initially at a rate reflecting the existing BT price in the market.

Since Labour will not give a clearer idea of the way the securities will be priced and operated it is too early to give any recommendations on their merits. But it is clear that the Labour Party is sufficiently respectful of the votes of 1.3m shareholders not to threaten anything that would be seen as expropriation or even penalisation of thrift.

Michael Armitage, who analyses British Telecom for stockbrokers James Capel said yesterday "The Labour Party seems quite seriously to be offering something which is palatable if not wonderful. We feel that the downside in the British Telecom share price has been raised significantly higher than 130p." On balance, if you can sweat through the Labour Party conference you should hold on to the shares.

De Zoete and Bevan's Telecom expert, Jack Summerscale appears to agree: "It appears that the BT shareholder now faces significantly less political risks, and perhaps even less risk than in other shares in which the downside is not so clearly defined."

It should be remembered that the new securities to be offered by Labour will be non-voting. Under Labour's plans of social ownership there will be consumer and trade union representatives on the board. These plans were vigorously attacked at the company's Annual General Meeting on Thursday by the chairman Sir George Jefferson. He claimed that social ownership would damage the company's performance and growth prospects and could lead to union domination of company policy.

If true, the mooted capital growth bonds would not be very appealing, although the Labour Party insists that the Government and not the company would be required to fund any measures imposed for social rather than commercial reasons.

Target merger

ON WEDNESDAY unit holders in Target's Malaysia and Singapore Fund voted to merge their £3m unit trust with the £10.6m Target Pacific Fund. Only two investors turned up, but their votes, plus proxies, made up the quorum of 20 per cent of the units in issue laid down in the trust deed.

In fact, the response received was 28 per cent, which Target considered good. More than the required 75 per cent of votes was in favour, so the proposal to merge was duly approved.

Pacific Fund unit-holders also agree, Malaysia and Singapore units will be absorbed on a bid basis, and investors will get the value of their holding in Pacific Fund units, also at bid price.

Ironically, Malaysia and Singapore Funds have bounced back in the past few months after several years in the doldrums. Will Pacific Fund unitholders see their investment diluted with the smaller fund's holdings? Target says it is not planning immediate changes in the merged portfolio. Longer-term, the Pacific Fund must inevitably divest itself of many of the new holdings, since it regards 10 per cent as a heavy weighting in such a specialised area.

Said Dylan Evans of Target: "Some people who bought the trust purely on the trading basis were disappointed, but we feel we have to look at the long-term fate of unit holders." The recently experienced bounce in Singapore and Malaysia is due to a growing perception that these markets are oversold, and to the efforts of the Singapore Government to turn round the country's heavily controlled economy, but Target feel that *the Government has missed the* boat in developing Singapore as a financial centre, which was one of the country's attractions as *far as they were concerned when* the fund was launched in 1981.

Two other groups, Schroder and Henderson, also manage *both Singapore and Malaysia* and Far East funds. Neither will be copying Target's decision to merge the more specialised fund.

Schroder's Ian Sampson sees Singapore and Malaysia as "a niche we want to go on holding. Its time will come." The group has its own investment operation in Singapore.

Henderson's Jeremy Edwards likewise justifies their fund as part of the group's overall specialist philosophy. He quotes the buying activity in the fund's units since the market recovery as support for this view.

Christine Stopp

Baltic promise

A MUCH better deal for Baltic unitholders, whose unit trust investments *have been lagging* well behind in the performance leagues, is the promise of Peter Jeffreys, who on Monday takes *over the top job of managing* director at Baltic Trust Managers. This is the unit trust arm of Nevi Baltic which is 60 per cent owned by Vesta, *Norway's* second largest insurance company and which some 18 months ago took over the Chieftain unit trusts which now operate under its Baltic Trust umbrella.

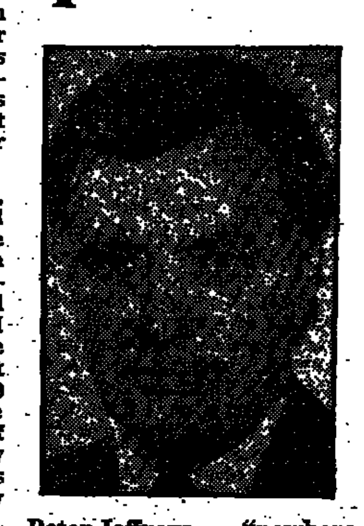
Jeffreys joins from Fidelity, one of the leading fund management groups, where he spent the last six years as a director and investment manager and was actively involved in the establishment and development of the group in the UK. He held a similar role at Schlesinger from 1973 to 1980 where he worked alongside Alan Henderson, chairman of Fraser Henderson, discretionary portfolio managers, which was acquired earlier this year by Nevi Baltic.

It was Henderson who first approached Peter Jeffreys who confesses to spending some six months agonising over whether he should take over the reins at Baltic. "Fidelity is a super company which anyone would find very difficult to leave." But, eventually, he became convinced that he was being offered a "rare opportunity" to undertake the "most exciting challenge of building up a small unit trust group into a significant City institution. It won't be easy to turnround Baltic, but I am sure it can be done. Baltic has nowhere to go but forward."

So what did it take to persuade him to leave the security of the highly respected/well established Fidelity stable where, as investment manager of its North American Income and International Income trusts, he had £100m under management for Baltic Trust—which boasts total funds under management of a mere £20m and a *fairly abysmal performance* record? "No, I wasn't looking for a golden hello, nor did I get one."

But he did, he says, get what he asked for and that is the freedom, backing and resources to recruit and build up a top-flight *fund management team "to give* Baltic fresh professionalism and a superior performance for our trusts."

He has set himself a 12 months target for turning the group round. "I am not promising any short-term miracles. I believe in looking to a two to three year performance record." But he hopes that by the middle of next year the impact of his new team will be evident in improved monthly performance figures which will show that the funds are at last moving out of the lower quartile in the league tables.



Peter Jeffreys . . . "nowhere to go but forward"

He admits that before launching any new marketing drive his first priority is to halt the flood of redemptions." These, he says, had been running at the rate of £5m a year but have stabilised in recent weeks to current level of around £100,000 a month. The emphasis of his new team will thus be on improving performance and providing "a period of stability" for existing unitholders. In his view, the funds are too aggressively structured and have been too actively traded in the past. In future, the approach will be more cautious.

There are currently nine funds in the Baltic stable which, under his management, are likely to be both rationalised and re-vamped. Most of the existing funds are growth-oriented so he expects to introduce new income products "with a monthly income plan which really works." Unitholders will also be offered a more sophisticated mechanism for switching between funds in the group on the "best possible terms." Next year he will also be starting a series of investor conferences around the country.

Selecting markets which will give him the future performances he wants for the trusts will, he admits, be more difficult than in recent years. But he still sees growth potential in the UK, North America and Japan and, as a man who jogs five miles a day, he reckons he will be nimble enough to spot the opportunities. Since he reckons that the UK carries the highest political risk—"with a small r"—there will be a substantial overseas loading to offset the possibility of a bear market at home.

Margaret Hughes

Debut for Cornhill

CORNHILL Insurance, part of the Allianz group, are entering the unit trust market for the first time. Two funds—UK Equity and International—were launched on September 12, both offering a choice of either income or accumulation units.

During the introductory period, investments received before October 10 of between £500 (the minimum allowed) and £5,000 will receive a 1 per cent bonus in the form of one "free" unit for every 100 bought. Investments of over £5,000 will qualify for a 2 per cent bonus.

The initial investment can be added-to at any time with a minimum top-up of £250.

• FINANCE & THE FAMILY •

Alice Rawsthorn announces a competition that gives City high-flyers a chance to show their skills

The challenge of a lifetime

COMPETITION has always been an integral part of life in the City. In the approach to deregulation, it has become more competitive than ever. Now a new element emerges with the launch of the Great Investment Race.

The race has been conceived by Charity Projects, an organisation which stages events and entertainments to raise money for charity. Six teams of top stockbrokers and fund managers will test their investment skills to see which can make the most money for charity by managing a £35,000 investment portfolio for a year.

The race begins on Wednesday, September 24, and will end on September 23 next year. The winning team will be the one with the highest value portfolio on that date.

The "original" £35,000 portfolios have been provided by Prudential Unit Trust Managers, an arm of the UK's largest insurance house and sponsors of the race. The Pru has given an interest-free loan of £210,000 to Charity Projects to start it all off.

At the end, the "original" £35,000 portfolios will be returned to the Pru. Surplus capital, or the profits made by each team on the original investment, will go to Charity Projects for donation to a range of charities for the homeless, the disabled and for drug and alcohol victims.

The amount raised will depend entirely on the skills of the teams. To ensure they have every chance, the rules are deliberately simple.

Each team has the flexibility to invest in any security traded on the London Stock Exchange, in currency deposits, unit trusts, futures or traded options. The sole criterion is that each investment must be available to private investors through a broker in the recognised stock exchanges of Australia, Hong Kong, Japan, the UK, the US and Western Europe.

Each team can chop and change the composition of its portfolio as often as it likes. The progress of each portfolio will be monitored by the WM Company, the computer services division of the stockbrokers, Wood Mackenzie. The race will be tracked by regular reports in the FT in which the teams will talk about their investment decisions, explaining why they switched from one stock to another, and will gauge the progress of each portfolio.

The teams are drawn from different areas of the City, ranging from the stockbroking establishment to a Japanese securities house:

● Bell Lawrie, the Edinburgh stockbroker, is one of the largest regional broking houses. Despite the pressure of mergers and amalgamations in the approach to deregulation, it has remained steadfastly independent. A group of Scottish institutions has, however, acquired a minority share holding and Bell Lawrie has forged alliances with other Scottish finance houses to present a fuller range of financial services.

● Fidelity Investment Services is part of one of the largest unit trust companies in the world. In the US, Fidelity is the market leader in the mutual funds, or unit trust, sector with $60bn under management. After just seven years in the UK, it has assembled a portfolio of more than £500m and has made no secret of its intention to become one of the "big five" unit trust companies.

● Hoare Govett is one of the City's most prestigious corporate stockbrokers and has emerged as one of the most active houses in expanding its interest in preparation for the Big Bang. It has forged a link with the US banking group, Security Pacific.

● L. Messel is one of the leading brokers in equities and gilt-edged stock on the London market. Messel is now part of Shearson Lehman, a subsidiary of American Express. In recent months, Messel has been strengthening its presence in the individual investor field.

● Nomura Securities is the largest securities group in Japan and possibly the largest in the world. In March, it and the US securities house, Merrill Lynch, became the first non-British firms to join the London Stock Exchange as corporate members. Nomura has now secured a licence from the Bank of England to set up a banking arm in the UK.

● The Prudential is the largest insurance company in the UK with more than £21bn of funds under management representing almost 3½ per cent of the entire equity market. In recent years, the Pru has diversified into new areas of the financial services field, such as unit trusts, mortgages and estate agency.

Half the money made will go to two specific causes, the Home Farm Trust and SHAPE.

The Home Farm Trust provides long-term care for mentally handicapped adults. It will receive 30 per cent of the money raised and will use it towards building a new home in Bedford. SHAPE enables the elderly, the ill, the mentally and physically handicapped and the disadvantaged to participate in the arts. It will receive 20 per cent. The donation to SHAPE will help to set up arts schemes in old people's homes.

The rest will be donated by Charity Projects to a range of charities. Charity Projects' policy is to donate to the less emotive causes which find it difficult to raise money by orthodox means.

The winning team will receive a trophy designed by one of the homes within the Home Farm Trust.

FT readers can follow progress through our regular reports and will have the chance to take part in a race of their own, the FT Readers Race, which will run alongside the Great Investment Race.

Here's a chance to develop a mythical portfolio and win unit trusts worth £2,500

And one for the readers

WHILE THE City professionals juggle the merits of Chicago pork bellies against equities and financial futures in the Great Investment Race, the readers of the Financial Times can enter an investment race of their own — the FT Readers Race, in which they can test their investment skills.

In the Great Investment Race, six top teams from the City will compete to see which can earn most money for charity by managing £35,000 investment portfolio for a year.

For the Readers Race, entrants will assemble a mythical portfolio, also worth £35,000, composed of up to five companies from the FT-SE 100 index based on their share prices printed in the September 24 issue of the FT. Each entrant will donate £10 to charity as an entry fee. The winning reader—the person with the highest value portfolio — according to share prices printed in the FT on September 23, 1987 — will win £2,500 of unit trusts donated by the Prudential unit trust managers, sponsors of the Great Investment Race.

The Readers Race "portfolios" will remain unchanged throughout the year. So the skill for entrants will lie in guessing which combination of companies in the FT-SE 100 Index would produce the most profitable investment. The winning entry will be the portfolio with the highest value on September 23 1987 the day the Great Investment Race ends.

The money raised from entry fees will be donated by Charity Projects — organiser of the Great Investment Race — to charities for the disabled, the homeless, and for young people with drug problems.

Each entrant must compile a portfolio of up to five companies from the FT-SE 100 Index, with an investment multiple of £7,000 in each. Thus, a reader could choose to invest the whole £35,000 in one company (ICI, for example), or £7,000 in each of five different companies. The portfolio will be composed according to the share prices of the FT-SE 100 Index companies quoted in the FT on September 24, 1986, the day the Great Investment Race begins.

To avert the risk of a tie, entrants will also be asked to predict the level of the FT-SE 100 Index on September 23 1987.

Because the investment portfolio will remain unchanged throughout the course of the race, the FT has made a number of assumptions to take account of developments that could affect the share prices of FT-SE 100 companies in the next year.

● In the event of a rights issue entrants will be deemed to have sold a proportion of their rights in order to buy the maximum possible number of new shares in the company.

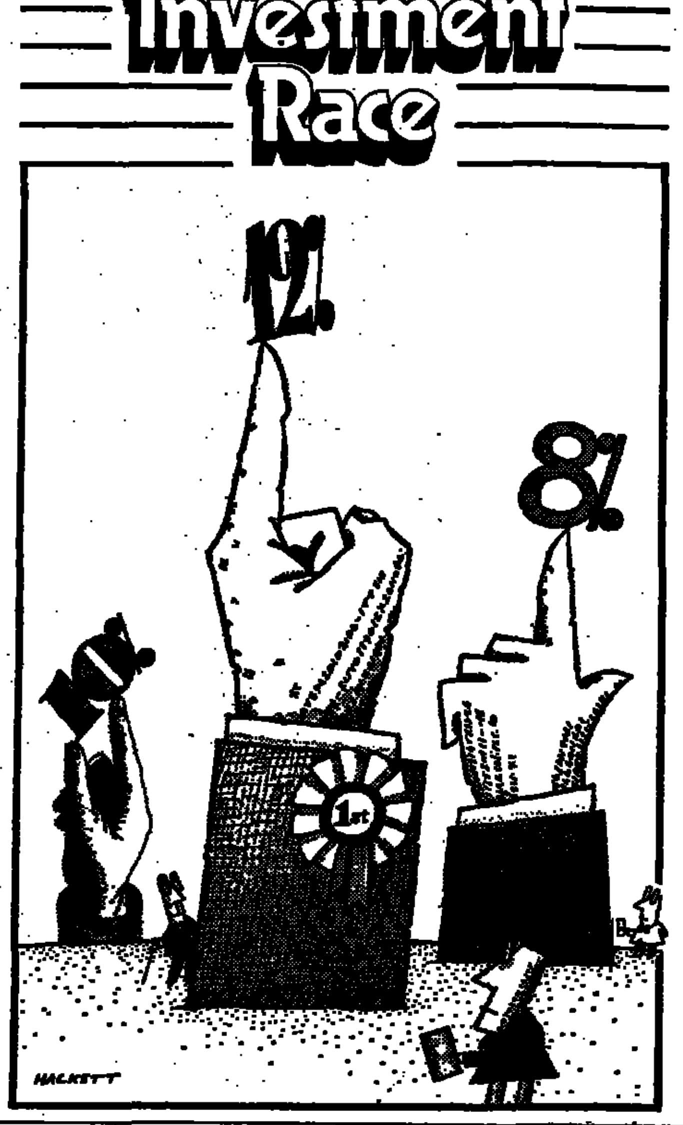
● If one of the companies in the portfolio is prey to a takeover bid, the entrant will be deemed to have voted, whether to accept or reject the offer, with the majority of shareholders. If the bid fails, the entrant will retain shares in the successful defendant. If the bid succeeds and the predator makes an offer of shares, the entrant must accept. If the predator's offer is in cash, the entrant will be presumed to have used the cash to buy shares in the predator's company.

● Any dividends paid by the company in the course of the race will be retained by the entrant—without incurring interest—and added to the value of the portfolio at the end of the year.

All these developments, and the progress of the Great Investment Race, will be monitored for the Prudential by the computer specialist, HM Systems, and the portfolio monitoring house, the WM Company.

Entry forms for the Readers' Race will be printed, together with a list of the FT-SE 100 and the September 24 prices, in the September 27 issue of Weekend FT and subsequent issues until the closing date for entries on October 31.

A.R.



Behind the contest is a group dedicated to raising money for deserving causes

Helping people in need

THE Great Investment Race is being organised by Charity Projects, a group which stages events and entertainments to raise money for people in need.

Charity Projects was founded two years ago by Jane Tewson who was working as a project co-ordinator for Mencap, the charity for the mentally handicapped.

"There were three aims for Charity Projects," she says. "First, to establish a resource and information centre for other charities; second, to encourage charities to work together; and third, to organise fund-raising events for the less emotive causes which find it difficult to raise money by conventional means."

The first Charity Projects venture was the Nether Wallop weekend—an arts festival in the tiny Hampshire village which assembled a varied crew of professionals — including dancers Lynn Seymour and Wayne Sleep, actors Sir Michael Hordern and Jenny Agutter, and comedian Rowan Atkinson —to perform plays and give recitations and recitals in the village hall, green and gardens.

From Nether Wallop, Charity Projects went on to organise a pantomime at the Theatre Royal in London's Drury Lane featuring pop singer Elton John and actor Sir John Gielgud; a show, Farmyard Follies, at the London Palladium with actors John Wells and Peter Cook; followed by the most ambitious project yet, Comic Relief.

This is the work of such "alternative" comedians as Billy Connolly, Lenny Henry and Rik Mayall who have come together to stage a series of events to raise money for famine relief in the Sudan. Comic Relief began with a show in London; produced the chart-topping record *Living Doll*, by Cliff Richard and the Young Ones; and will soon bring out another record and book.

As Charity Projects has developed, it has increased the amount of money raised—from £300,000 in its first 18 months to a projected £850,000 this year. Its donation policy has broadened accordingly, from projects for the unemployed to charities for drug abuse, the homeless and the disabled.

"We deliberately choose the less emotive causes," says Jane Tewson. "Most of the money we raise goes to organisations whose resources are too small to raise money on their own and which are less appealing to individual charity donors."

To ensure that every penny of the money raised goes to charity, rather than being swallowed up by overheads, Charity Projects is funded entirely by sponsorship.

Jane Tewson's salary is sponsored as is that of co-organiser Fiona Halton, who joined Charity Projects earlier this year after having conceived and run British Film Year. The office space is donated. Auditing and legal work is done free of charge. Photographers, graphic designers, an advertising agency, even motorcycle couriers offer their services free.

Some of the sponsorship is done directly. Nabisco provides food for the theatrical events, for example, and firms handle publicity. Some is done indirectly. A group of companies including Barclays Bank, the National Westminster, GEC and WEA Records sponsor salaries.

Charity Projects has been working on plans for the Great Investment Race since the beginning of the year including securing sponsorship from the Prudential, mapping out rules and regulations, and assembling teams from the City to compete.

"The idea behind Charity Projects is that we organise events which are interesting in themselves and in which various people use their own particular skills to raise money for charity," says Fiona Halton.

"So, for Comic Relief we went to the comedians and asked them to use their gifts for making people laugh to raise money for famine relief. For the Great Investment Race, we have gone to the City to ask the brokers and fund managers to use their investment skills for charity."

A.R.

• FINANCE & THE FAMILY •

John Edwards looks at a national institution as its 125th birthday looms

Savers with nothing to declare

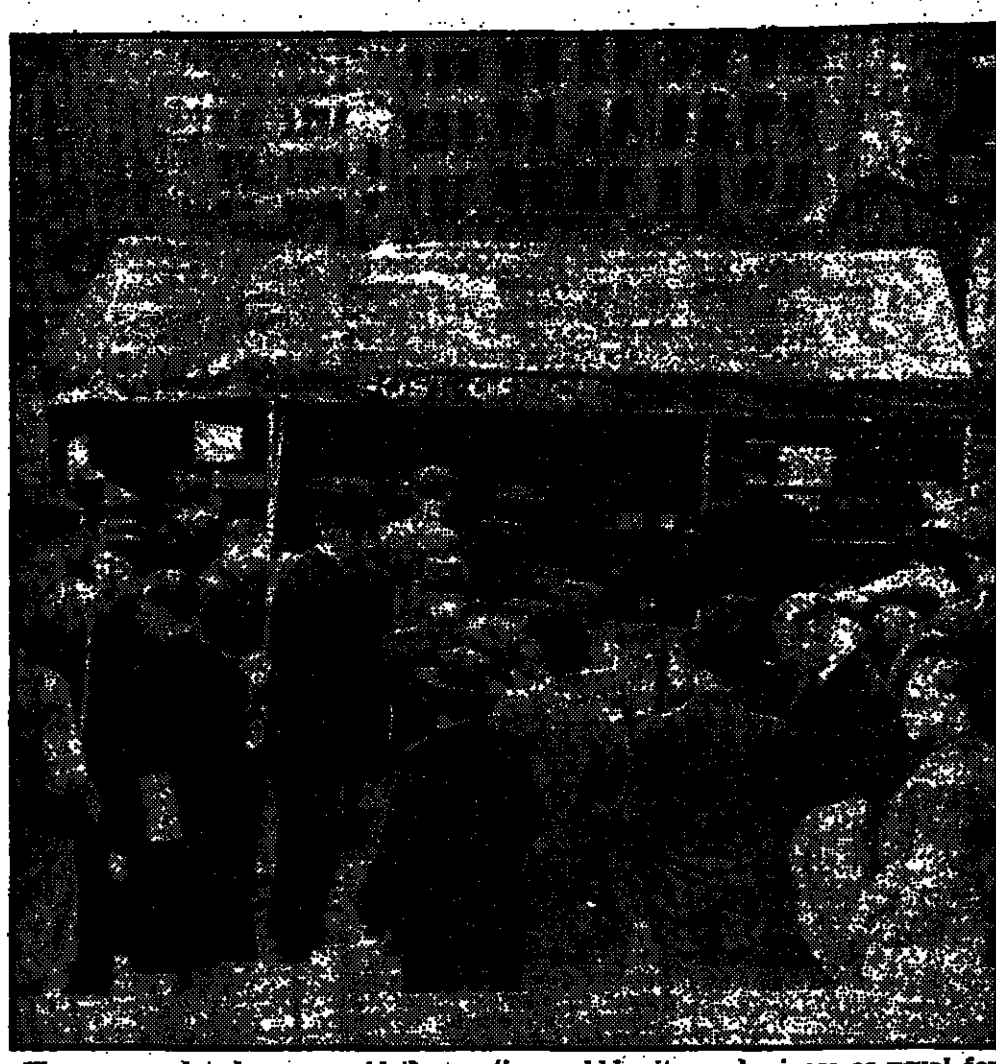
NATIONAL Savings celebrates its 125th anniversary on Wednesday as a very different organisation from its start in life as the Post Office Savings Bank. It began operations in 1861 as a social measure, prompted by William Gladstone as Chancellor of the Exchequer, to provide banking and saving facilities to a whole new sector of the population — the *ordinary working man and woman.*

However, in 1969 it was separated from the Post Office to become a government department, controlled by the Treasury, and its prime function since then has been to raise money to help finance public spending. It is the vehicle used by the Government to tap the personal sector for funds in addition to the amounts raised by selling government securities (gilts) and imposing taxes.

But doubts about its future role have been raised by the Government move to discontinue this year the annual target previously set for National Savings to raise its contribution to the public-sector borrowing requirement (PSBR). In 1985-86 the amount raised of just over £2.1bn fell far short of the £3bn target, but the Government appeared quite content to rely on raising money elsewhere if necessary. It simply failed to set a target for 1986-87.

The reason why National Savings failed to meet its target last year was because it failed to increase its interest rates to be competitive with other forms of investment, possibly because the Government did not want to support the move to higher levels at the time and fuel inflation. Now the situation has reversed. National Savings has not followed the downward move in interest rates. In consequence its products have become very competitive — critics would say too competitive—and money is rolling in at a fast rate.

John Patterson, who has just moved up to become director after five years as deputy director, claims that National Savings does not act as a market leader for interest rates. However, he acknowledges that the organisation is a "creature" of the Government—he is a civil servant who was seconded from the Treasury—and it is a safe assumption that Treasury approval is needed for deciding the interest rate and products offered by National Savings.



They never closed: even amid the wartime rubble, it was business as usual for National Savings

So the recent decision to double the maximum holding of 31st Issue certificates to £10,000 and retain the same compound rate of 7.85 per cent, instead of issuing as expected a 32nd *issue, with a lower rate,* could be interpreted either as a signal that the Government needs more money or that it does not expect interest rates to fall any further.

What is more, National Savings is planning to capitalise still further on its position of being able to offer some of the best investment bargains available at present. An advertising campaign is planned using the slogan "nothing to declare," emphasising one of the major advantages enjoyed by National Savings—the tax concessions provided by the Government.

Three of its products—31st *issue certificates, index-linked* certificates and the yearly savings plan—are totally free of any tax liability and you do not even have to report details of them to another government department, the Inland Revenue.

So not only do you not have to pay any tax, also you don't have to fill in any forms—an important factor for many investors who hate becoming involved in paperwork. This freedom not to deduct tax at source became an even greater selling point after the 1984 Budget brought the clearing banks into line with the building societies by forcing them to deduct a Composite Rate Tax (currently 25.25 per cent) on interest earned on deposits. Gilts and National Savings products are now the only two investments you can make without tax being deducted at source.

It now makes little sense for a non-taxpayer in the UK to invest in a bank or building society account, since the Composite Rate Tax deduction cannot be reclaimed.

On the other hand, Patterson *was quick to point out* that the tax perks are not a one-way street in favour of National Savings. On the National Savings products where the interest is taxable, Deposit and Income Bonds, and the Investment Account, the ordinary taxpayer is liable to pay 29 per cent on the interest compared with only 25.25 per cent on bank and building society holdings.

The advantages for non-taxpayers, and high rate taxpayers, are obvious strengths. Indeed National Savings imposes *maximum* permitted holdings as a form of restriction. But even for ordinary rate taxpayers there are different attractions—the safety inherent in government-backed investments and the ability to pay interest either gross or free of tax, possibly to a dependent or relation who is a non-taxpayer. Then there is the opportunity of fixing a guaranteed interest rate over a period and protecting yourself against inflation.

Patterson feels that National Savings has now covered all the potential market gaps with its range of products. He says that the Income Bonds, currently offering 11.25 per cent gross paid monthly, have been a particular success amongst the "gross" products.

The index-linked certificates are now offering inflation-proofing plus an extra 4 per cent compound interest over five years, and the general extension rate for the 7th to 21st issue certificates has been maintained at an attractive 8.01 per cent rate, tax free.

With average luck, Premium Bonds could also be considered an attractive investment with the prize money of £11m every month calculated to give a return equivalent to 7.75 per cent annually, tax free. However, these have reached market saturation with some 24m holders out of the 30m National Savings customers.

Interest rates apart, shades of the old social role of the Post Office Savings Bank linger on. You can buy National Savings products from over 30,000 outlets—all Post Offices and clearing bank branches, and there are over 7,750 employees deployed in various offices throughout Britain, who spend a great deal of time servicing the ordinary account where the minimum deposit is only £1.

Patterson insists that the organisation has to keep faith with the public if it is to fulfil its funding role for the Government.

Despite some lively advertising campaigns, National Savings remains something of a mystery to many investors, who are uncertain what products are on offer and how to obtain them.

Nevertheless, National Savings has over the years managed to accumulate £32bn, making it one of the leading financial institutions in its own right. That alone should ensure its survival, although its future role seems somewhat blurred at present.

Facing the pension choice

APRIL 1988 may seem a long way to most people. But for practioners in the pensions indusrty it is uncomfortably close in view of the amount of work imposed upon themby the Social Security Bill.

The Bill, which recently received Royal Assent, allows people in employment to make their own pension arrangement independently of their employer.

So from April 1988, the start of the Government's new pension era, individuals will face the choice — do they stay in their employer's pension scheme or in the modified State Earnings Related Pensions Scheme (Serps) or do they contract-out and set up their own personal pension?

Legal and General Group, Britain's largest pensions company and second largest life company, has been assessing the likely response by employees to this new freedom of choice — commissioning Gallup to undertake a survey of attitudes of over 1,000 employees of both sexes.

The response to the surveywill gladden the heart of Social Services Secretary, Norman Fowler, the principal architect of personal pensions.

One in five persons currently in a company pension scheme — some 2m people — liked the idea of opting out of the scheme to make their own pension arrangements. Around half of the employees relying on Serps —some 5m employees — liked the idea of their own pension.

These findings should also be music to the ears of life company sales directors with the vista of seven million potential clients for personal pensions. But it has caused consternation among Legal and General's executives.

Mr Ted Tilly, L & G's life and pensions director, claimed that while for some of the seven million running their own personal pension could work really well, for the majority it would be a serious mistake. He is anticipating that many employees could be facing financial hardship when they retire unless they make the right choice.

This, in turn, means employees understanding the choices before them, seeking impartial advice on the decisions to be taken and thinking carefully before taking action.

Legal and General is providing that impartial advice by setting up a Pensions Advice Centre. Employees can put their questions and get advice from a panel of trained experts by telephoning a central free number (0800-400 401).

This will be followed up by receiving a booklet and if necessary being put in touch with a pensions counsellor at L & G's branch network.

This service will provide a very useful function to the public providing they understand what it can do and what it cannot do.

The advice given on a telephone and from a booklet, by definition, must be generalised. Employees have to relate this general advice to their own circumstances.

Eric Short

Educate now, pay later

Eric Short continues his series on how to keep your children at a public school

MANY families find that having their children educated privately involves big financial *sacrifices.* Previous articles in this series have discussed the high cost of private education — with expectations of even larger bills on the way — and the problems of meeting school fees out of current family income.

Often, there will be a shortfall between income available and the school fees bill — a gap that has to be bridged by using whatever sources can be tapped. A recent development has been the resurgence of loan schemes whereby parents can borrow to meet the gap — the loan being *repaid over a long period* beyond the time when the children's education has finished.

The concept of the loan scheme is straightforward. Essentially, the parent arranges for a drawing facility with a *lending institution up to an* agreed amount. Security for the loan is often provided by your house, thereby unlocking its equity, although other assets are acceptable.

The parent draws on this loan facility as and when required —usually when the school fee bills arrive before the term starts.

The form is an interest-only loan, with repayment made by means of a life or endowment or pension contract over a specified period (which can be as long as 25 years for endowments, or to retirement age for pension contracts). In both cases, repayment occurs many years after the children's education has been completed — an Educate Now, Pay Later scheme.

However, there are certain complications to this straightforward concept, the major one being that most houses normally already have a mortgage.

Some lenders will be prepared to accept a second mortgage arrangement. Others prefer to rearrange the mortgage, paying off the initial loan and carrying the whole mortgage themselves. This latter course *usually makes sense because the* interest costs are lower.

The second complication arises because the lending market itself has become much more complex. Borrowers now have the choice of fixed interest rates over certain periods as well as variable rates and developments on these two themes, such as a "cap" and "collar"— incorporating a maximum and a minimum rate.

Some schemes offer just the variable rate—three points over base rate. Parents need only to consider what has happened to interest rates over the past decade or so to appreciate that these could rise again into the 20 per cent region.

Other schemes, like the one offered by financial planner and school fee specialist Connaught Swift, make maximum use of *this choice, offering flexibility* in payment of interest and repayment of the loan.

The table shows some of the schemes now available and the variation in interest payments.

A little time and effort spent shopping around could save money on the latter.

Some school fee specialists advocate using loans only as a last resort in meeting school fee bills.

Others feel that the use of credit is now accepted as the normal way of financing by a growing number of people, and that loans schemes are only part of a whole range of products by which school fee bills can be met.

However, the comparison with house mortgages can be taken too far. When buying a house, you can offset the overall interest costs with the rise in its value. With education, you are dealing with an intangible asset, the value of which can be assessed only by the parents concerned.

YOUR HOUSE CAN PAY THE FEES

Name of scheme/ companies involved	Current rate	Type of repayment	Term
Connaught Swift School Fees Funding Programme/Kleinwort Benson	11% *10%	With profits/unit linked endowment or pension scheme	10-25 years NRD
Berkeley St James's Education Loan Scheme/Lloyds Bank	12¼%	Endowment	10 years
Barclays Bank/Norwich Union	12¼%	Endowment	NRD/age 65
Standard Life/Bank of Scotland	12½%	Endowment or pension scheme	10-25 years 5-year roll over facility
Nat West/ISIS/Claremont Savile	12¼%	Endowment	10-25 years
Security Pacific	‡13¼% †11¼%	Endowment Pension	10-25 years 5-year roll over facility
NEL Britannia	†11% ‡13%	Endowment or personal pensions	10-20 years up to age 70 10-20 years up to age 70
Abbey Life Currently tied to Security Pacific—own scheme to be launched shortly			

* Stabilised Plan. † First charge. ‡ Second charge. NRD—Normal retirement date

• FINANCE & THE FAMILY •

Shares for under-18s

I would appreciate your advice on the technicalities of investing in shares and unit trusts on behalf of children. The money in question was given to my children outright by a grand-parent, and is not therefore lumped together with the parents' for taxation purposes. However, it is not possible to hold equities in the name of a minor. Is it possible to buy them in my own name without complicating the capital transfer or tax position?

Not all companies object to having registered shareholders under 18. Where registration in your children's own names is unacceptable, their shares can be registered in the names of yourself and another (eg your husband), with a designation such as each child's initials. Companies have varying restrictions upon the type of designation which they will accept in their share registers. You should keep documentary evidence of the beneficial ownership of each shareholding (and of the origin of the funds invested on each child's behalf), for production to the Inland Revenue and for the information of your executors, in the event of your premature death.

Changing flats

An elderly relative of mine, lives in a building for the whole of which he is the leaseholder. He occupies the smaller of its two maisonettes, the larger being sub-let. The two units, one above the other, are served by a common front door and a front hall off which each has its internal door.

He is in a position at any time to purchase the freehold of the whole building at an advantageous price. Recently the sub-tenant has offered to sell him the residue of his lease. (Possibly be could obtain an option to purchase.)

It is clear that the freehold of either unit can be sold in the market for a useful capital gain. Assuming that my relative gets into a position to purchase both the freehold of the whole and the residue of the leasehold of the larger unit—in the order of his choice—is there any way for him to arrange his affairs so as to escape capital gains tax if he subsequently sells the freeholds of both units? To that intent he would be willing to move into the larger unit, or to occupy both as one. He would not however wish to do either for very long; he wants to move to another area.

If there is no escape possible, are (here clear rules for the apportionment of the purchase price of the whole freehold between the two units for the purpose of CGT? Presumably the purchase price of the residual sub-lease of the larger unit is fully deductible, in addition to the relevant portion of the freehold purchase price?

He cannot escape CGT, but he will reduce his potential CGT bill if he moves into the large unit (for a reasonable time) and elects for it to be regarded as his main residence, under section 101 (5) (a) of the Capital Gains Tax Act 1979. Apportionments should be made on the basis of the relative market values of the two units, but the tax inspector will probably accept apportionment on the basis of floor area if preferred.

You may find the free Inland Revenue pamphlet CGT 4 (Owner occupied houses) of some use as a general guide, but do not place too much reliance upon it as it oversimplifies the intricate and arbitrary rules. If possible, spend a quarter of an hour or so in a local reference library with one of the standard works on CGT, or with a multi-volume work such as Simon's Taxes. Look in particular at section 103 (3) of the CGT Act.

Your relative's solicitor may well be able to guide him through the CGT maze; he or she will also be able to advise on whether it is possible to sell the units separately, if need be.

That's the ticket

I would welcome your advice of how Wimbledon Debentures are treated for tax purposes. Are they wasting assets and does sale of tickets have to be taken into account.

The sale price of tickets sold is assessable to income tax under the rules of case III of schedule D.

For CGT purposes, the excess of the acquisition price of a debenture over its prospective redemption value must be left out of account progressively, day by day. That is to say you divide the excess by the number of days from acquisition to prospective redemption, and multiply the quotient by the number of days from acquisition to disposal; the resulting figure is deducted from the acquisition cost (before calculating indexation relief). The rules for so-called wasting assets are quite arbitrary, and make no pretensions to equity.

Deeds of covenant

We were absolutely amazed to read in your column (August 9) that "it is a criminal offence for an accountant to prepare a deed of covenant (in England and Wales, at least)" and we would be most grateful if you could let us have the authority for these comments.

We had thought that the public debate in recent years over the question of solicitors' privileges in respect of domestic conveyancing would have reminded all professional men and women of the criminal sanctions against their participation in the drafting of documents under seal. This long-standing offence is currently reinacted in section 22 (1) (b) of the Solicitors Act 1974. The prohibition does not extend to someone who is employed merely to engross a deed (nor to a public officer preparing deeds in the course of his or her duty).

Our Briefcase services does not extend to advice on defending criminal charges (as the overall title Finance and the Family indicates), but we doubt whether any practising accountant could escape conviction for drawing or preparing (even indirectly) a deed of covenant, thereby becoming liable to expulsion from his or her accountancy body. Even a retired accountant could find it difficult to prove to the magistrates "that the act was not done . . . in expectation of any . . . reward," despite the fact that he or she made no charge for the service: such gratuitous services often lead to indirect rewards, not necessarily from the person or body for whom they were performed.

Helping hand

We live in a large house with nice gardens and are loath to give them up as we still potter in the former and my husband still tries to cope with the house repairs, painting etc as a matter of disciplined activity. Never the less I am conscious we are both growing older and must have some help in these things.

We might get an active person to live in or to come to us a few days a week but I am worried about getting ourselves involved in the intricacies of Rent Acts and/or contracts of employment if the job was a regular one as it would be, even if not every day of the week.

Can you advise how one can keep free of these ties, say engage somebody on a self employed basis in the case of the job itself and if they lived in part of the house some kind of saving from a permanent tenancy if one was not satisfied with their work or not to pass on a protected tenancy to our successors.

You can grant a service licence, where the right of residence is expressed to be in order to enable the employee to carry out her or his duties. The most important thing is not to take (or reserve) any rent and not to reduce the wages which are to be paid by reason of the provision of accommodation. For the purpose of preventing a tenancy from arising it is undesirable to engage someone on a self-employed basis.

No need to pay

My former husband and I own a house in the UK as tenants in common. He has been abroad for fifteen years with only occasional visits of a few weeks to England. As he has property abroad, if we sell this house will he become liable to capital gains tax on the proceeds of his half if he returns to England?

Provided that your former husband is neither resident nor ordinarily resident in the UK, throughout the tax year in which the sale contract is made, he will be exempt from CGT on his halfshare. A helpful free booklet, IR20 (Residents and non-residents: liability to tax in the UK) is obtainable from your tax inspector's office or from the Inland Revenue Public Enquiry Office, Somerset House, Strand, London WC2R 1LB.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

Malcolm Gammie explains why a company car is not always a blessing

First, do your sums

THE COMPANY car is among the most ubiquitous of employee benefits. However, it is not always as advantageous as it is made out to be.

It is a fair assumption that if you use a car for business purposes the cost of that use will be borne by your employer.

It is from private use of the company car, and consequential saving in private motoring costs, that taxable benefit arises.

The crucial issue for the employee is the difference between this and the cost of running his or her own car, less what would be reimbursed under an appropriate business mileage allowance.

A company car, and the related private petrol benefit, are both taxed according to a scale, published annually.

The scale charge is treated as additional cash salary. Your saving from a company car is not, therefore, the full amount of your private motoring costs but those costs less the extra tax to be paid in respect of the scale charge out of your other cash salary.

Take, for example, an employee with a salary of £15,000 and a company car, with free private petrol, which attracts a scale charge of £1,150. After deducting the basic single person's allowance of £2,335, he pays tax of £4,006. This leaves him with £10,994 in hand, and nothing to pay towards running the car.

He is, in fact, in the same position as if his employer, instead of giving him a company car, had increased his salary by the amount of the scale charge. So an individual who receives a salary of £16,150 (£15,000 plus £1,150) pays the same tax (£4,006), but is left with £12,144 in hand. If the cost of his private motoring is less than £1,150 (the difference between £12,144 and £10,994) he would have been better off with the cash rather than the car. If that cost is more than £1,150 the car is worth more to him.

At this level of salary, national insurance (NI) does not enter the reckoning for the employee. Below £14,820, cash salary as opposed to a car would attract an extra 9 per cent NI liability. From the employer's point of view, a car always represents a NI saving when compared with cash salary.

If, your private motoring costs are less than the scale charge, your employer may merely be making a gift to the Inland Revenue by providing a company car. Assume that you are a £15,000. employee (with income net of tax of £11,327), and that you already run your own car at an annual private cost (after allowing for reimbursement of business mileage costs) of £800. You are left with income of £10,527 after meeting that cost. If your employer provides you with a car and petrol, he saves you £800 but you pay £333 extra tax, leaving you with income of £10,994, £467 beter off.

In fact, you would have been as well off if you had received a £658 pay rise. Tax on £15,658 is £3,864, leaving you with a net income of £11,794 from which the £800 private motoring costs are paid (£11,794 —£800= £10,994).

National Insurance apart, if it costs your employer more than that £658 to fund the cost of your private mileage it would be cheaper for him just to give you the extra cash.

In real life, of course, there are a whole range of costs and other factors for employer and employee alike which will affect the decision. What this demonstrates, however, is that it is important to do the sums before assuming that a company car is always a valuable benefit.

There are three levels to the car scale charge based upon the original retail value of the car and the lowest of these is further subdivided by reference to engine size.

At present the lowest category covers cars costing up to £19,250 and sub-divides into cars of 1300 cc or less, 1301-1800 cc and over 1800 cc. From April 1987 these subdivisions will be changed to 1400 cc or less, 1401-2000 cc and over 2000 cc. As a result the scale charge for a two litre car under four years old will actually fall from £900 in 1986-87 to £700 in 1987-88. The car scale charge is reduced if the car is over four years old. The petrol scale varies according to the engine size of the car.

The car scale charges (but not the petrol charges) are increased by half again if business mileage is less than 2,500 miles in the tax year; both scales are reduced by one half if business mileage exceeds 18,000 miles. Records of business mileage should accordingly be kept. Travel between home and work does not count as blsiness travel.

Where two or more company cars are provided to the employee or his family at the same time the car scale charge for second or subsequent cars is increased by half. The business mileage on both cars cannot be aggregated in calculating the 2,500 or 18,000 limits, so one should normally reserve business travel for one car and that car should be the one with the highest basic scale charge. A second car which has less than 2,500 business miles on the clock for a year only suffers one 50 per cent uplift.

If provision of private petrol for employees is being considered, any scheme should be set up early in the tax year. Where the car has been available for the whole year, the provision of petrol for private use even for as little as one day in the year results in the employee being taxed on the full scale charge.

Both car and fuel scale charges are reduced proportionately if the car is not available for part of the tax year or cannot be used for at least 30 consecutive days: but the car must be unable to be used, as for example where it is in the garage for crash repairs.

Technology boost

WHEN THE Government introduced the Business Expansion Scheme in 1983 it perceived it as a way of stimulating high technology by coaxing individuals into venture capital investment. The Industrial Technology Fund fulfils that brief exactly and its 1986-87 fund was launched yesterday.

The 1986-87 Industrial Technology Fund is the third BES fund launched by Industrial Technology Securities. It aims to assemble an investment portfolio of technology-related industrial companies.

"We will be looking for companies that are concerned in the industrial appliance of technology," said Nigel Wright, ITS's managing director. "These companies tend to operate within high margin areas and to produce proprietary products which lend themselves to long term investment."

The two previous Industrial Technology Funds have invested some £1.5m in ten companies. Their portfolios encompass fibre optics, satellite photography, hand-held computers, light aircraft and computerised publishing.

A team of directors, headed by Sir Monty Finniston, chairman of ITS and former chairman of British Steel, will scrutinise each prospective investment. The fund will be sponsored by the stockbrokers, Savory and Milln, which specialise in the engineering and electronics sectors.

ITS aims to find companies which can be groomed for flotation, on the over-the-counter market in the short term or on the Unlisted Securities Market in the longer term. Alternatively, it is interested in companies which will develop proprietary products or services likely to turn them into attractive acquisitions for larger companies.

Investors must subscribe a minimum of £2,000 to the fund and can invest up to a maximum of £40,000 in multiples of £500. ITS will levy a management fee of 5 per cent on subscriptions up to £15,000. The fee will be reduced to 3 per cent for larger subscriptions.

In recent months a series of large fund sponsors have withdrawn from the business expansion scheme. They maintain that the pay-back period for fund investment is so long that fund administration is not cost effective and that there is a paucity of suitable companies for fund investment.

Nigel Wright counters that the calibre of companies applying for fund investment is higher this year than ever before, but is optimistic that the withdrawal of other sponsors will boost the prospects of the remaining funds.

Alice Rawsthorn

London Property

Rentals

• PROPERTY •

John Brennan on the pitfalls of over-improving your home

Too many extras don't sell

MORE THAN £6 billion a year is spent on improving, or at least carrying out building and decorating work, on homes in Britain. There can be a sharp distinction between the two.

A second jacuzzi, or "his" and "hers" swimming pools on the roof garden, are unlikely to add as much as they cost to the resale value of a property. At the same time, the quality of professional conversions and the standard of fittings in new houses is now such that an unimproved property, or one that is not well presented, can be tough to sell. The art is to achieve a balance—improving enough, but not too much.

This art was missing in many of the modernisations carried out at the top end of the residential market, in the million pound-plus properties where Arab buyers made all the running in the late 1970s. As many of those homes come back on to the market agents are frequently asked to try to achieve prices that will recoup the costs of excessive improvements.

Agents handling these over-converted homes have to try to sell "chandeliers like pregnant jellyfish;" not one, or two, but three swimming pools, and another one that is half finished!"; "an alarm system you wouldn't find in a maximum security prison in Northern Ireland . . ."

Faced with properties where interior decorators and designers evidently treated clients as bearers of blank cheque books, agents must explain that few people will be attracted by such excessive bolt-on extras, and fewer still will be willing to pay any kind of premium for them.

What applies at the top of the market applies with equal force down the price scale. Stuart Kelly of Fox & Sons' Southampton office confirms the old adage that whatever you do to a house or flat, you are unlikely to raise its value significantly out of line with its neighbours.

He reports that small, two and three bedroom houses in the Inner Avenue area of Southampton are selling well as it has become more fashionable to live nearer to the city centre. Unmodernised properties sold for around £23,000 are being modernised for £7,000 or so, and resold in the £38,000 to £43,000 range.

"But we had one man who had gone completely over the top. He'd put in Georgian double glazing throughout, a central heating system that was ridiculously expensive, a kitchen complete with dishwasher, he had ornate covings and centre pieces on the ceilings, a matching extension, marble facing on a new patio . . . it was beautifully done, but he had spent so much on it that he wanted £20,000 more than the market value of the house."

At the other extreme, reasonable conversions that haven't been finished off properly don't sell either. "You get somewhere where all the basic work has been done, but the garden hasn't been touched at all, and there is woodchip paper everywhere. People take one look and say 'yugh'."

The prices are different but the principles are the same in the central London market.

"If you put a property on the market it has to be immaculate," says Jenny Sulack of Cluttons. And as for over-improving, she recalls a flat that had had a fortune spent on it: "and it was one of the most hideous places I've ever seen. It had brown carpets up the walls, a room-sized jacuzzi in revolting colours . . . it was unspeakable."

Property values these days tend to be based on size, location, and presentation, she says. Her colleague, Toby Cholmley, reports that "people are paying for finish, they are prepared to pay a premium to cut out the aggro of having to put a place together themselves." But improvements are still subject to the laws of diminishing returns.

"A whole lot of extras—vibrating beds and vibrating baths and so on—it might make a place easier to sell, as long as they are not in bad taste. But, historically, that sort of thing hasn't made much difference to price."

To hit the right, saleable balance between under and overdoing it, Cholmley thinks that you cannot go far wrong in central London with an English country house look. "The kind of place that looks as though it might have been inherited." In the suburbs "people like more visible signs of wealth," he says, so the polished wood and leather look banned by central London decorators five years ago, still sells well there.

"Italy" has replaced Scandinavia for the starter home look," says Cholmley. And avoid if you can brown or garish carpets, hessian wallpapers, jacuzzis that glow in the dark, and anything that hints of cheap finish.

Andrew Langton, managing director of the King's Road agency Aylesford & Co thinks that "It would be very difficult to get away with less than £80 to £90 a sq foot to redevelop a property to central London standards now. You can't just do an indifferent suburbs job.

"If you did try to sell a place on the old 1970's standard, with white walls and bare rooms where you say to someone that they will be able to decorate it to their taste, they just say they're off to see some more flats around the corner."

Prospective buyers have become used to seeing fully fitted and furnished properties, so that now, as Langton says, "If you want to sell in London you have to have a place where you are able to hand over the keys so that the chap can go in with food for the refrigerator that night."

Boom tails off

MANHATTAN'S apartment glut may be short-lived according to the mid-year market report of The Real Estate Board of New York. In the latest of its regular analyses of residential space on the island the board reports that over 21,500 apartments are now under construction, more than at any time in the past 20 years. But, "there is every indication that (this) period of wide choice will be short-lived."

Most of these developments—of which half are condominiums, a quarter are buildings for rent, with the balance a mix of low-income public housing, subsidised units, and co-operatives—were timed to take advantage of construction tax breaks in Manhattan's core areas. This partial tax exemption programme does not apply to buildings started after November 1985, so as the board reports, privately financed new construction starts tailed off dramatically after that date.

Some 10,855 condominium units and 9,312 rentals should be completed by the end of 1987. But only 200 condo units and 415 rentals are due on to the market in 1988. After that, the board notes, there are "fewer than two dozen still valid new building permits containing less than 2,000 estimated units on file at the Department of Buildings."

In fact "1988 promises to be one of the least active years for housing completions since World War 2, all but assuring the absorption of any unsold units or unrented units in this round of construction."

So this buyer's market has less than 18 months life in it, and with that in mind, the slide in condo sale prices reported in Manhattan in recent months does not look likely to take median prices between the $300 to $400 a square foot range. And developers have been beefing up the marketing rather than price cutting in luxury schemes, like $570 a sq ft Trump Tower at 721 Fifth Avenue, or $500 a sq ft Museum Tower.

The New York board's detailed surveys stand in stark contrast to the subjective guesstimates that pass for research on the central London residential market. In London, residential developers still have to back a hunch when they commit themselves to a scheme. No single source has information on the number of flats and houses sold privately, sold to investors, rented to visitors or, indeed, on the number of new and refurbished properties being created to meet this unquantified demand. Small wonder that agents and developers alike are smiling hard, talking fast, and keeping their fingers crossed about the market as it emerges from an unusually quiet summer period.

J.B.

SENTIMENTAL former Guards Officers will look fondly on Tim Lee's currently favourite country house. Lee, at Carter Jonas (938 2401) is looking for £350,000 for The Rookery, Preston Deanery, four miles south of Northampton. The Guards' link is that in 1969 the then owner was driving past the old Knightsbridge Barracks as they were being demolished. When a workman confirmed that the window stonework and balustrading were to be crushed, our stylish skip raider made an offer for them and had the stone incorporated into the facade of The Rookery, an additional touch of style to a pleasant seven bedroom mid-Victorian house. The 6.6 acre mini-estate includes a separate, two-bedroom cottage, outbuildings, garages and loose boxes forming a courtyard behind the house.

Country Property

Overseas Property

New Homes

Overseas Property

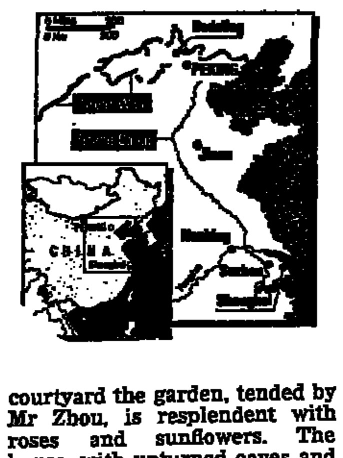
Annalena McAfee visits five Chinese cities

From Ming to Deng

... is the scale of things that ... the visitor to China ... so overwhelming: a billion people; 56 nationalities; a vast ... sprawling deserts, icy wastes and lush temperate ...; the longest canal in the world (1,114 miles) and the only man-made structure said to be visible to the naked eye from the moon, the Great Wall (4,161 miles).

Its written language comprises 50,000 different characters and recorded Chinese civilisation dates back 4,000 years, in which time the Chinese gave the world the compass, paper, gunpowder and movable printing. But the country's recent history, particularly the upheaval of the Cultural Revolution which closed the country for a decade until 1976, is as fascinating as its imperial past.

The Forbidden City, the magnificent 180-acre Ming Dynasty palace quarters (the largest palace complex in the world) is the first stop in any tour of ancient Peking. But what was the Underground City? Had they unearthed a find similar to the 7,000-strong terracotta army in Xi'an? Was there archaeological evidence of an early subterranean civilisation beneath the Chinese capital?



The trail was curiously inauspicious, starting in a rather down-at-heel ladies' clothing store in Da Sha La Street, Peking's teeming Oxford Street off Tian'anmen Square. Behind the counter, at a wall partly screened by drably-coloured frocks, a button was pressed and a large section of the floor slid away revealing concrete steps. The lunch-time shoppers barely paused to look as we descended into the gloom.

The Underground City, we learned as we walked through echoing, ill-lit tunnels misty with condensation, was a relic not of China's feudal past but of more recent vintage. Built between 1969 and 1979 "by voluntary labour" it is a vast nuclear shelter with, it is claimed, enough supplies to feed the 5m residents of inner Peking for six days. A three-hour walk through the tunnels will lead them to the safety of the suburbs, said our guide.

In the absence of international conflict, the city does not lie idle. Below Da Sha La Street there is an underground shop, a theatre, sports hall, a roller skating rink, an 80-bed hostel (which would convert to a hospital during a nuclear war) a restaurant and a cinema. Similar interconnecting complexes lie below the city's schools, universities and factories, we were told. Metropolis-sized shelters are also said to exist beneath all the major cities of China.

Old and new China neatly overlapped when we were taken to see local government in action in Erlong Street, west Peking. There we were invited to the home of Mr and Mrs Zhou, retired electricity and waterboard workers, who live simply in three rooms with their daughter, son, daughter-in-law and grandson. In the little courtyard the garden, tended by Mr Zhou, is resplendent with roses and sunflowers. The house, with upturned eaves and lattice fringes, was once the home of the last emperor's tutor.

In the 2,500-year-old city of Suzhou, new heavy industries have been set up in the last 30 years, but it is the legacy of the past that is most obtrusive. A charming city of narrow streets shaded by plane trees and bisected by waterways spanned by thousands of stone bridges, it is famed for its silks, embroidery and crafts. Visitors to Suzhou's Embroidery Research Institute are greeted by a minutely sewn portrait of Prince Charles on a swivelling frame. Turn him round and there is an embroidered Princess Diana—reversible needlework without a knot in sight.

The city's Sandalwood Fan Factory, in the 140-year old mansion of a former mandarin official, produces 3m paper court fans and 800,000 hand carved fans a year. Its most impressive products include an ivory folding fan, 1¼ inches high and 2½ inches wide, which is engraved with 300 Tang poems using 14,000 characters. In their breaks, workers can sip tea in the beautiful 10th century garden which is part of the factory site.

It is for its gardens that Suzhou is most famous throughout China. "Heaven," runs the old Chinese saying, "has paradise. Earth has Suzhou." The Humble Administrator's Garden, financed in 1527 with 12 boat-loads of booty from a disgraced bureaucrat's pay-off, is the best known. But my favourite, the Fisherman's Retreat, was the smallest Suzhou garden open to the public.

Only 1¼ acres, it is the perfect place for recollection in tranquillity. Ponds and rockeries are linked by miniature stone bridges and zig-zagging corridors leading to pavilions whose names themselves induce a sense of peace: the Tassel-Washing Waterside Pavilion and the Pine-Viewing and Painting Appreciating Hall. A replica of the Paeony Pavilion was built in 1980 for the Metropolitan Museum of Art in New York at a cost of $3.9m, representing the first cultural exchange between the two countries since the People's Republic of China was declared in 1949.

The city's Shanxi theatre, a unique lacquered wood structure flanked by lattice-screened dressing rooms and dominated by ornate carvings of dragons and flowers inlaid in gold, is to open as the Suzhou Museum of Opera and Theatre in October. Built in the Ming Dynasty, the theatre is more intimate and striking than the grand Belvedere of Flowing Music theatre in the Forbidden City where empress dowager Ci Xi is said to have directed her eunuchs in theatrical extravaganzas.

Both theatres show the elaborate costumes worn by Chinese actors. The Forbidden City may have the edge with the blue silk flat-fronted hat embroidered with flowers and butterflies and labelled "worn by good-for-nothing sons of wealthy family and literary hacks."

The Venice of the Orient is another, albeit non-exclusive label which has attached itself to Suzhov. In the 1920s and 1930s, the city's younger and much larger neighbour Shanghai was known as the Paris of of the East. It was the setting for von Stroheim's film Shanghai Express, which gave Marlene Dietrich the memorable line: "It took more than one man to change my name to Shanghai Lily." Noel Coward wrote Private Lives in the art deco splendour of the Cathay Hotel, now the Peace Hotel. Evidence of this semi-colonial past is supplied by the imposing, largely empty western-style buildings that line the Bund waterfront.

A cruise along the Huang Po river in the shadow of these elegant husks gives a good insight into the city, past overladen merchant vessels, chains of wicker-cover sampans, perilous house boats, a sullen gunboat and, on the far bank, art deco factories like Odeon cinemas with chimneys belching black smoke.

Shanghai was also once known as the city of adventurers and a walk through the narrow, crowded streets of the Old Chinese City, past the once-notorious Blood Alley, captures the flavour of those dangerous times. The Old City has been cleaned up and the armies of prostitutes long disbanded but even safe and sanitised, a sense of the old mystery clings. More sedate pleasures are offered nearby in the Yuyuan Garden when you can take tea in the five-sided Huxinting Pavilion in the centre of a small lake.

In one of the city's industrial areas stands the Jade Buddha Temple containing a large Burmese jade statue of Sakyamuni, founder of Buddhism, and a smaller reclining white jade buddha. The temple's monks fled to the hills during the Cultural Revolution but are back practising their faith openly and recruiting young monksf rom neighbouring provinces. I watched a memorial ceremony in which the shaven-headed monks in black silk robes walked in a circle chanting, beating drums and ringing bells. Incongruously, a flashy ghetto blaster stood on a lacquered table recording the event for bereaved relatives.

The Temple of Heaven, in the Forbidden City, where the emperor prayed for good harvests

The most impressive example I saw of China's Buddhist tradition, introduced from India in the 1st century BC, was at Liu Bu, 34 kilometres from the industrial city of Jinan in Shandong province. The drive to the site, past fields of sweet corn and sweet potatoes, date and persimmon trees, gave a glimpse of rural life. We stopped at a thriving commune "township": it was market day and the watermelons, piled high like cannonballs, seemed the bargain of the moment at the equivalent of tuppence a kilo.

The landscape became more mountainous as we approached Liu Bu and bicyclists minimised their efforts by clinging to the back of trucks on ascending hills. Enormous slender poplars lined the road to the 1,000 Buddha cliff. In fact there are only 210 Buddhas carved in the rock but the setting is so serene and the statues so remarkable that few tourists are tempted to invoke the trades description act. More beautiful still was the Buddhist monks' graveyard, 1,000 years old, with carved tombstones like giant chess pieces ranged against the mist-wreathed mountains.

'Heaven,' according to the old Chinese saying, 'has paradise. Earth has Suzhou.'

In Jiangsu province, Nanking is a city of views, whether from the top of the blue-tiled mausoleum of Sun Yat-sen, the mountain-top observatory, the revolving roof bar of the Jinling Hotel, or the visitors' tower on the mighty Yangtze River Bridge. Completed in 1968, the bridge spans more than four miles and provides a vital link between north and south China. The cluster of socialist realism-style statues of workers and soldiers brandishing the Little Red Book which adorn the bridge are now, I was told, an anachronism, and there had been some debate as to whether they should be replaced.

The observatory was built in 1934 on one of the three peaks of the Purple Mountains which loom over Nanking. The collection of early astronomical instruments is astonishing for its scientific sophistication and decorative splendours. The panorama from one of the observatory domes, down the wooded slopes of the mountain, takes in a wide sweep of the city from the Yangtze Bridge to the Xuanwa Lake which, with five islands linked by causeways, was once a resort for feudal rulers and is now a people's park.

China rarely disappoints. Some visitors may find the lack of night-life outside the hotels a little daunting. The opera is certainly worth seeing, if only to marvel at the lavish costumes and make-up, but the enterprising may find their own ways of expending post-prandial energy. I met one British company lawyer, over to negotiate a tricky contact, who had whiled away the evening hours with a handsome piano accordion she had bought in a Chinese department store for £20.

The food in China has had mixed reports from some tourists, but I found it so pleasing to the eye and the palate that on my return I would have happily ditched the cutlery, installed chopsticks, and gone completely oriental were it not for fear of the label "poseur." It was delicious; jelly fish, white fungus, lily bulbs and all, although I found the sea cucumber (a kind of marine slug) took a little getting used to.

My sole disappointment was a small one but it irked. The Great Wall visible from the moon, was on the day I visited it completely invisible from the earth. It was shrouded in such dense fog that I might as well have been climbing the stairs at the office. I was given a certificate, however, to prove that I'd climbed the Great Wall at Badaling. So I can say I've climbed it. But I can't say I've seen it. Still, it's a good excuse to go back.

TRAVEL DETAILS: CAAC, China's national carrier, flies direct to Peking from London with one-hour stops in Zurich and Sharjah. A return flight (London, Peking, London) starts from just under £700. A 15-17 day package tour, taking in from five to seven Chinese cities, costs £1,490 including fares and hotel accommodation. Details from the China National Tourist Office, 4 Glentworth Street, London, NW1. Telephone (01) 935 9427.

Mind your manners

IN PRINCIPLE, one should not really approve of the Volkswagen Scirocco GTX 16V and the Ford Escort RS Turbo. They are quite ordinary cars that clever development engineers have made go quite unreasonably quickly and which marketing men sell by promising performance that is legally unusable.

In practice, I have to confess that I found them both very enjoyable when driven hard on the kind of road that puts a premium on agility, acceleration like an Olympic sprinter and massive reserves of grip.

Whether they are worth the money — £10,028 for the Ford, or £10,600 with a sunroof/central locking/electric window option pack, £11,235 for the VW — is for the buyer to decide. To me, it seems a lot to pay for a fairly small car that would put one's licence at risk if driven as the maker intended. And which, if used in the same way as a cheaper and less powerful version, suffers from drawbacks like heavier steering, a less shock-absorbent ride, more noise and far higher insurance premiums.

But first the figures, which are rather impressive. The Escort has a 1.6 litre engine, fuel injected and turbocharged. It delivers 132 horsepower at 5,750 rpm. Ford says it has a maximum speed of 128 mph, reaches 60 mph from a standing start in 8.2 seconds and should give an average 30 miles per gallon.

Instead of a turbocharger, the VW has a 16-valve cylinder head on its 1.8 litre engine — a unit soon to be available on the Golf GTi. Its output is 139 horsepower, the top speed 130 mph; 0-60 mph acceleration takes 7.6 seconds and an owner should see about 35 mpg.

The Escort is a full four-seater, with space for adults in the rear. The Scirocco's back seats are for small and uncomplaining children, or more likely for the large suitcases that will overflow the modest boot. It is offered only in left-hand drive and is to special order.

To my surprise, neither car was at its best on the motorway. The Escort had quite a lot of exhaust resonance at the tolerated 80 mph cruising speed and the Scirocco's 16-valve engine sounded busy enough for the radio's volume to need turning up.

Both cars shine in the traffic lights grand prix, if that sort of thing appeals to you. They leap away from a standstill in a manner that offends drivers of larger and costlier cars. The Escort's viscous coupling limited slip differential does a good job in controlling wheel-spin during fierce acceleration. Even on dry roads, flooring the accelerator of the Scirocco produced a fair amount of tugging on the steering as the 60 series, V-rated tyres fought to retain grip. It is an obvious, even overdue, candidate for the VW Syncro permanent all-wheel drive system. This is available only on the VW Transporter at present with right-hand drive, though a 90 hp Golf Syncro hatchback is sold on mainland Europe.

In town, the driver's visibility is better in the Ford than in the lower-slung VW, in which reversing is particularly awkward because the rear glass distorts and is partly obstructed by an aerodynamic spoiler.

Both are well equipped—though only the Ford has anti-lock brakes—and have driving positions enthusiastic motorists will approve of. All the instruments and minor controls are efficiently laid out.

The Scirocco GTX 16V is probably the final version of a car that first appeared 12 years ago and was updated in 1981. Its successor may well be four-wheel driven, have a V6 engine due to be used soon in an up-market Audi and be designed to take on cars like the Porsche 944 or Renault GTA Coupe V6.

The Escort RS Turbo is a revised version of a model which achieved nearly 10,000 sales in the year following its launch in 1985. Despite its exhaust resonance on the motorway, it is a much more refined car than the first one. It appears to be aimed at company car users who might otherwise have opted for a Golf GTi as well as private buyers whose family commitments prevent their having a two-seat sports car.

Both cars, I have to say, seem to be exactly what Friends of the Earth and the Royal Society for the Prevention of Accidents have in mind when they complain about an over-emphasis on performance in motor industry sales promotion.

This is not really a criticism of the cars. Driven sensitively and responsibly, they will take very good care of you. The trouble is that their very high performance potential makes one feel competitive and, at times impatient with other road users.

What impatience plus aggressiveness, inattention and sheer stupidity can do is demonstrated by the latest Quotel Index of Motor Insurance Costs. The national average cost of motor insurance for comprehensive cover now stands at £646 before no claims discounts are subtracted. This represents a rise of 17 per cent since the end of last year and a 21 per cent rise on the figure for the same time last year.

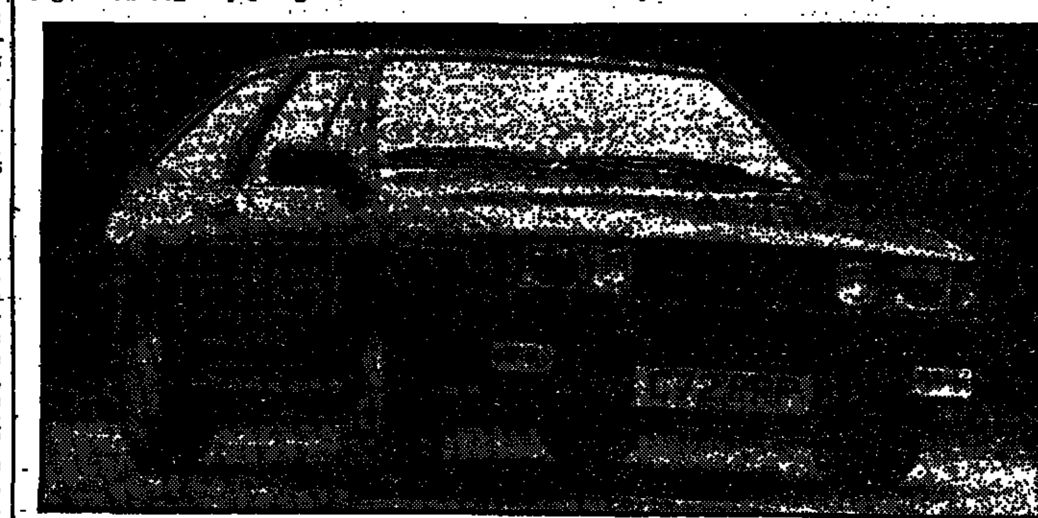
While recognising that it is illegal everywhere except in West Germany, I have nothing against high speeds on motorways, providing they are lightly trafficked and dry. What I object to very much is the anti-social and ill-mannered behaviour one sees, for example, on the M25 morning and evening. People who should know better and who would never, I am certain, deliberately slam a door in someone's face, behave like mechanised football hooligans. Nothing seems to matter except to get in front and stay in front. They even tailgate in wet weather at high speed. Why there are not more multiple rear-end shunts I shall never understand.

Things are made worse by 60-65 mph middle lane hoggers who appear unaware that the inside lane is not just for heavy lorries—and by others who think that because they are doing 70 mph, they can stay in the overtaking lane indefinitely.

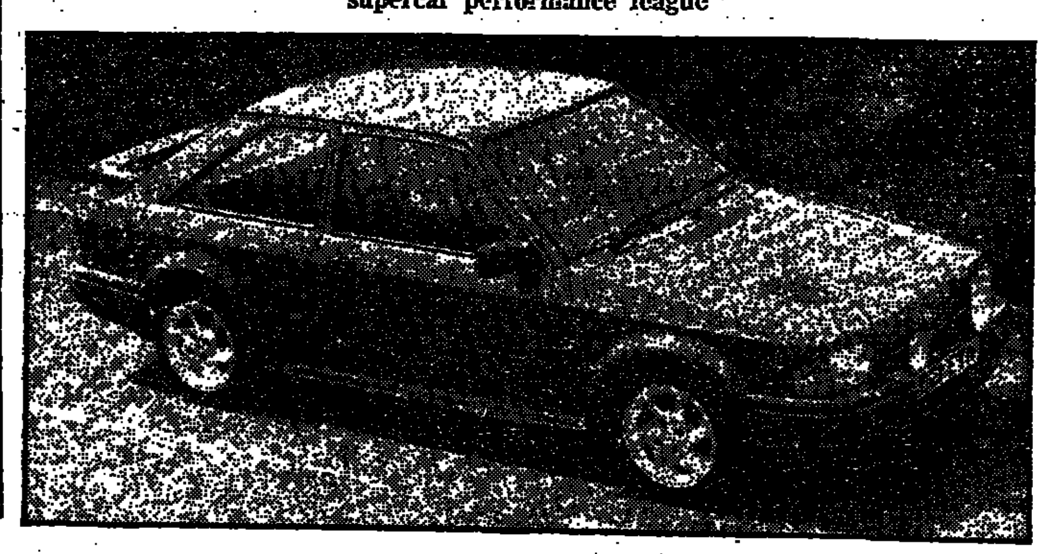
While I am on the warpath, would the road hauliers like to have a word with their drivers about their dangerous habit of signalling and pulling out simultaneously on two-lane dual carriageways without so much as a glance in their mirrors?

Whatever happened to the heavy lorry drivers who really were knights of the road?

Stuart Marshall



The VW Scirocco GTX 16V (above) and the Ford Escort RS Turbo (below) are family-type hatchbacks developed to the point where they are almost in the supercar performance league



CHESS

WHATEVER its limitations where arms control is concerned, summit negotiation between the Soviet Union and the United States has achieved definite progress in cultural and sporting exchanges. Following the Bolshoi ballet tour of the US and the Goodwill Games in Moscow, chess benefited from the new detente last month when the 1985 and 1986 USSR champions took part in the US Open at Somerset, New Jersey.

The US Open, held this year for the 87th time, really is what its name implies, open to anyone who pays his entry fee. It attracted more than 500 entrants, many of them unknown amateurs hoping for a crack at the great names.

Grandmasters Cseshkovsky and Chernin had to compete not only with native-born US champions but also with emigrants and defectors like Albburt, Spassky and Gulko. The last-named, Boris Gulko, is a celebrated refusenik GM who was recently allowed to emigrate with his family to Israel after a seven-year campaign which included hunger strikes and a one-man demo outside the Moscow interzonal.

Californian GM Larry Christiansen headed the field and played through unbeaten for a score of 10/12. Spassky, Albburt and Chernin were in the group on 9½ while Gulko and Cseshkovsky were among those scoring 9. Young American masters did well as Rohde and Wilder reached 9½ while Benjamin, Fedorowicz and Rachels totalled 9.

Fidelity, makers and distributors of the "Challenger" series of chess computers, sponsored the championship, with its first prize of $5,000. They also entered nine computers, and there was a landmark in chess history when a Fidelity machine defeated IM David Strauss, the first time a micro-computer has beaten an international master in regular tournament play.

Events like the US Open are often good value for instructive games using strategies applicable on other occasions. Pairings may be mismatches, but they allow the GMs to demonstrate their ideas with unusual clarity.

This week's game shows a good point scorer against a weaker opponent who starts 1 P-QB4: exchange off his K-side minor pieces, especially his KB, push your KBP to KB5, then mate him on the KR file with queen and rook.

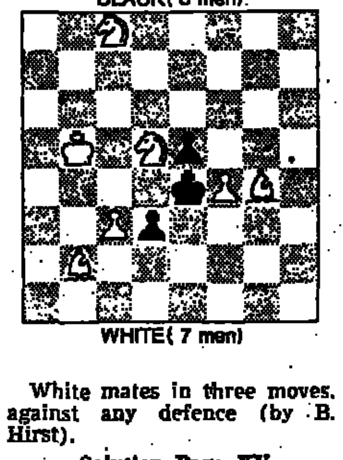
White: Willey.
Black: GM L. Christiansen.
English Opening
(US Open 1986)

1 P-QB4, P-K4; 2 N-QB3, N-KB3; 3 N-B3, N-B3; 4 P-KN3, B-N5; 5 B-N2, 0-0; 6 0-0, P-Q3; 7 N-Q5, B-B4; 8 P-Q3, P-KR3; 9 P-QR3, NxN; 10 PxN, N-Q5; 11 P-QN4, NxN ch; 12 BxN, B-N3; 13 B-Q2, B-R6; 14 B-N2, Q-Q2; 15 Q-B1, BxB; 16 KxB, P-KB4; 17 P-QR4, P-B5; 18 Q-B4, R-B4!; 19 P-R5, B-Q5; 20 QR-B1, R-R4; 21 P-R4, Q-N5; 22 QxP, RxP; 23 QxQP, P-B6 ch!; 24 Resigns.

While K and K continue their world title match in the USSR, there are running commentaries on the play at the Great Eastern Hotel, London, which has a direct telex link with Leningrad. Games are Mondays, Wednesdays and Fridays, 2-7 BST. For more details, 'phone 01-220 7627.

Problem 634: What really happened was that the tournament book misprinted the moves. Capablanca actually played N-N2 (instead of R(K5)-K7) and only after QxRP, R-K7, so that White's chance to win a rook never occurred. Thanks to Mr E Winter, Geneva, for the information.

PROBLEM No. 637



White mates in three moves, against any defence (by B. Hirst).

Solution Page XV

Leonard Barden

BRIDGE

IF YOU ask a bridge expert for a hand which he really enjoyed playing, he thinks for some time, while a host of beauties—like the Dream of Fair Women pass before him.

I asked Lewis Ellison, friend and partner, for one of his favourites. This is what he gave me:

N
♠ 8 7 5
♡ Q 4 3 2
◇ A Q
♣ A 8 7 3

W
♠ 9 6
♡ A J 9 7 5
◇ J 7
♣ K Q 5 4

E
♠ 3 2
♡ 8
◇ 10 9 8 6 3 2
♣ J 10 9 2

S
♠ A K Q J 10 4
♡ K 10 6
◇ K 5 4
♣ 6

South dealt at game all, bid one spade, and went four spades over his partner's response of two clubs. North then cue-bid his ace of diamonds, and South went six spades.

West led the club king, and South took stock. There were 11 top tricks: the 12th appeared to depend upon finding the heart knave favourably placed. This did not satisfy Lewis. At trick two he ruffed a club, then drew the trumps in two rounds. Now he set about getting a count on the unseen hands.

He crossed to the diamond queen to ruff another club, returned to the diamond ace, ruffed the last club, and cashed the diamond king. On this West discarded the five of hearts.

That was the vital clue declarer had been waiting for. Now he knew the exact distribution of the opponents' hands. East had shown up with two spades, four clubs, and six diamonds. This meant that he had only one heart. Lewis did not know what East's singleton was, but he was not concerned about it. He put his heart king on the table, and claimed 12 tricks.

If East's heart was the ace, he would be endplayed, and forced to give a ruff discard. If West had the ace, he could choose between a ruff discard and leading into the declarer's split tenace in hearts. A gem of Discovery.

Now a hand from me:

N
♠ K Q 7 3
♡ 10 8
◇ K 10
♣ A 9 8 5 3

W
♠ A 6
♡ K J 9 2
◇ Q 8 7 6
♣ K 10 4

E
♠ 10 9 5 2
♡ Q 7 5
◇ 5 4 3
♣ 9 7 6

S
♠ J 8 4
♡ A 6 4 3
◇ A J 9 2
♣ J 2

West dealt at a love score and opened with one (weak) no trump. North doubled, and I was happy to pass for penalties with the South cards. West rescued himself into two diamonds, my partner said three clubs, and I went three no trumps.

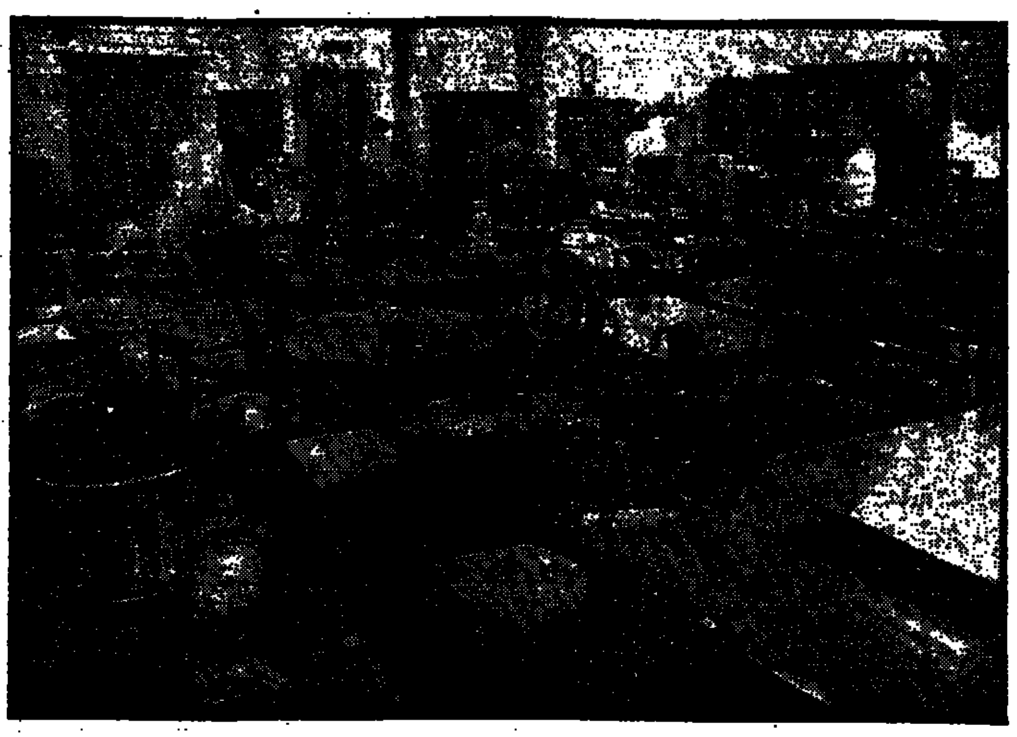
This hand appealed to me, because one card and one card only can be played to each trick in the early stages. I made my contract when I originally played it, but I have since made one slight improvement.

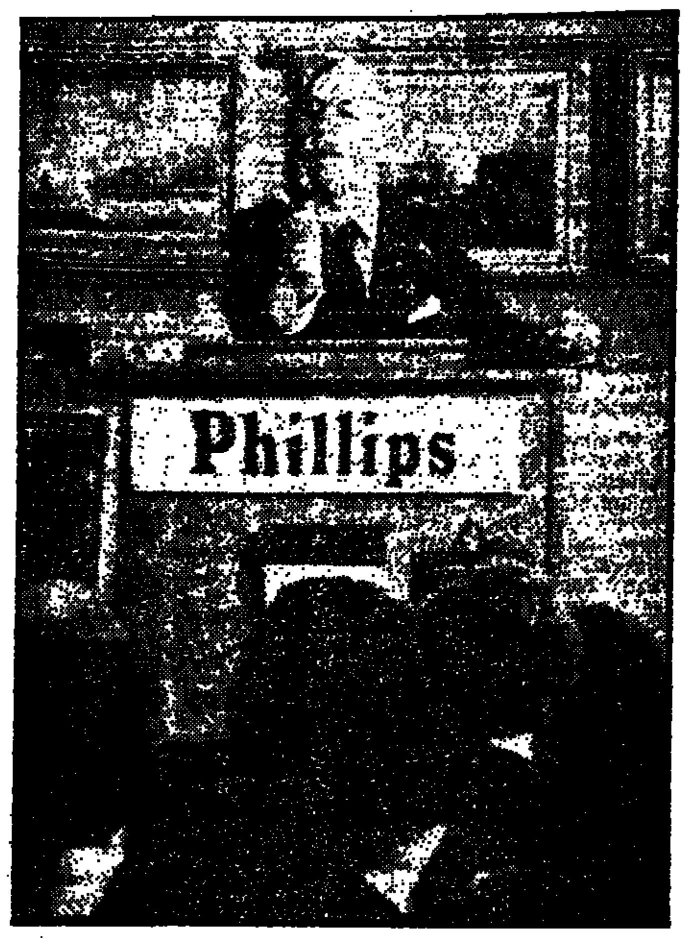
West led the heart two, and when East produced the queen, I could place the high cards and most of the distribution. West must hold all the missing honours and four cards in each red suit. The problem to solve was whether he had two spades and three clubs, or vice versa.

I took my heart ace, ran the diamond knave, then led the four of spades. West ducked and the queen won. I cashed the diamond king, and threw West in with the heart ten.

After making three heart tricks, he was endplayed. Whatever his distribution in the black suits, he could score only his ace of spades.

E. P. C. Cotter





Left: The Mentmore sale which was dealt with by Sotheby's. Above: Viewing antique furniture at Bonhams before the items came under the hammer

Top: An auctioneer at Phillips responding to the bids. Above: The foreign currency conversion board reflects the international interest in a sale of pictures Christie's

Antiques

Buying and selling at auction

As the major London dealers resume activity **Antony Thorncroft** dispels some of the mystique associated with the auctioneer's hammer

THE MAJOR London salerooms, Sotheby's and Christie's, are about to awake from their summer sleep. The long annual break in their auctions was traditionally determined by the absence from London — on the grouse moors or at continental spas — of their aristocratic rich customers. Now it is mainly because of the shortage of worthwhile goods to sell.

Their more humble associates and competitors, Christie's South Kensington, Phillips and Bonhams, carry on throughout the dog days with routine auctions where the price per lot rarely exceeds £1,000. But the main galleries at Sotheby's and Christie's are silent: they have realised that they cannot make a profit out of antiques valued at less than £500.

What they do is pass on less expensive items to their low-cost, fast-moving, subsidiaries—its South Kensington off-shoot in the case of Christie's; its provincial salerooms in Chester and Billingshurst, and its Conduit Street "fast sales," in the case of Sotheby's. Phillips and Bonhams, on the other hand, make a virtue of being interested in run-of-the-mill antiques, and both run regular sales of low-value goods in their off-centre auction rooms while passing the best stuff through their main premises.

Anyone who is thinking of selling through auction should make the effort and visit as many of our four auction houses as possible: there should be a rough consensus on the value, authenticity, and likelihood of finding a buyer for your treasure, but the salerooms differ in their personalities—and in the time they take to offer the item at auction. Phillips, in particular, prides itself on the speed with which it can turn antiques into cash.

After a period when the salerooms competed on price they now, in the main, all charge the buyer 10 per cent (plus VAT) on his purchases. Most sellers also pay 10 per cent of the hammer price, although it can be more for cheaper items. On the other hand, if you turn up with a £1m picture, the saleroom will reduce their commission; they know that if they did not offer to cut their charge a competitor would.

The salerooms make most of their money by collecting 20 per cent on the value of the antiques they put under the hammer, but there are other charges. The seller will pay insurance: an illustration in a catalogue is an extra expense, a full page, in colour, costing the most.

To make things easier for the buyer, he (or she) need not attend the sale. The auctioneer invariably arrives at the podium with a sheaf a commission bids. Alternatively, porters will bid for you. It is best, however, to be in the room to get the feel of the sale; and with the introduction, at Christie's at least, of the new system of bidding by lifting numbered "paddles" (with which you are issued when you enter the auction room in return for your name and address) most of the fear (and mystique) has been removed from the art.

The business practices of the auctioneers are currently under rigorous inspection by local authorities and consumer watchdogs, both in New York and London. This is likely to lead to changes, most notably in the custom of the auctioneer marking down unsold lots to imaginary names. Most worthwhile items appearing at auction have a reserve price attached to them (usually around the level of the low pre-sale estimate published in the catalogue), and if this is not reached the item is withdrawn unsold. The salerooms are reluctant to admit that an item has failed to sell—it can undermine confidence at that [illegible]—but in the near future [illegible] will have to announce that [illegible] was "unsold."

Why buy and sell at auction? Over the past 20 years, the leading auction houses have successfully got across the message that they establish record prices for works of art (which is encouraging for sellers) and that art is an excellent investment (which brings in the buyers). In fact, in certain areas, such as Impressionist and Old Master paintings, record prices are probably set through private transactions between dealers and collectors. But today the art market is dominated by the salerooms, with dealers as their main customers as both buyers and sellers.

It is the vast range of antiques handled by the auction houses — from rock 'n' roll ephemera through tribal art to English watercolours—which accounts for their prime position. And although they do not offer as comprehensive an after sales service as the best dealers—who will often agree to buy back antiques if the collector tires of them—at least there are opportunities to view the goods before you consider a bid.

The antiques trade starts the new season this month in some uncertainty. The past year has been better than many dealers feared, but it was not great. Partly, the absence of some Americans reduced demand, but the main cause of apprehension is the slackness in the domestic market. The fortunes being made in the City are not going into antiques: at this stage of the economic cycle the antiques trade ought to be doing better. The end-of-season figures of Sotheby's and Christie's reflect the hesitancy. Sotheby's are 6 per cent down in 1985-86, with world-wide sales of £473.3m; while Christie's, thanks, in part, to the Hatcher Chinese porcelain sale in Amsterdam which raised £10m, was 8.2 per cent up at £365.2m.

However, trade in the spring and early summer, in particular at the two main London antique fairs, at Olympia and the Grosvenor House, was quite brisk, as were the auctions. As ever, in a discriminating period, it is the good, rare, items that do particularly well, while the medium priced holds its own, and anything of inferior quality, damaged, "tired" on the market, or generally unattractive, is unsaleable. This has been the case in recent months, with the big prized collections that have appeared on the market—the Rous Lench English ceramics; the Edward James furniture and pictures; and a Belgian collection of Pieter Breughel the Younger — paintings — doing exceptionally well.

Prices have risen noticeably in English silver, Impressionist paintings (the key investment market, and the most dominating one), English furniture, and 20th century paintings. In fact, demand at the moment for things English, in particular works by 20th century artists, is very strong, perhaps at a high plateau. And, as choice items disappear into museums the auction price for the best remaining on offer seems certain to stay firm.

Most auctions are very routine, not to say boring, occasions. Rarely do the experts in the salerooms miscatalogue a valuable item (although there are wrong attributions, especially among Old Master prints and drawings). Rarely are fakes allowed through — and the salerooms will compensate the buyer if a fake is proved to be a fake.

At the moment there is a dominance of the art market by the salerooms, if only because they handle so many antiques. But the official restraints which are appearing, and the likelihood of a weaker market in the next year or so, will push power back into the hands of those dealers who offer a good after-sales service. But now that Sotheby's and Christie's have made themselves international operations, with their New York sales as important to them as London, and, of more importance still, made the collection of antiques international, they can afford to ride out any check to the home market.

In the regions

Top quality gets scarcer

THESE DAYS few reputable provincial salerooms are without a sizeable contingent of London or even international dealers attending their auctions. The influence of the centre is considerable on prices. Nevertheless, it is not quite such a simple a matter as one way traffic.

As Mr Fletcher, of Olivers in Sudbury, Suffolk, a firm, who like many are estate agents as well as fine art auctioneers, puts it, "items below the £5,000 to £10,000 tag will probably make more in the provinces, unless there is some specialist interest attached." The rationale is that whereas such an item would appear inconspicious alongside the star attractions of a major London sale, it could be seen as a considerable piece in a less ambitious sale out of town.

As Captain Francis, of John Francis of Carmarthen, says, "There is the advantage of scarcity, too. Say you have a harp; here it looks marvellous, but lined up with 40 others, including the Aga Khan's, it's not going to be noticed."

Both in Carmarthen and Sudbury the emphasis is on the appropriateness of the item for the sale; thus, if it is a fine Welsh oak dresser, it is likely to be better sold on home ground, but if, as Capt Francis puts it "the Crown Jewels of Denmark were inherited by a Welsh sheep farmer, we would recommend an international market. It's just a matter of common sense."

It is also a matter of professional behaviour. As Mr Fletcher puts it: "If something is not going to make as much in the provinces, I say so. If not, it rebounds on me and my reputation."

Another way of ensuring that the vendor does not lose is the overseeing role that Bearne's, in Torquay, take on themselves in the case of outstanding items. As Barbara Wheeler says, "we would send up a really good piece ourselves and will watch it through for the customer. It doesn't cost them any more but prevents confusion and worry. It certainly might realise more that way." Nevertheless, prices in Torquay are not low. "The dealers are always complaining at prices," Mrs Wheeler says, "they are a bit like farmers and seaside landladies. for them it's always getting worse."

Bearne's hold six sales every eight or nine weeks, in a regularly rotating series. Francis hold fine art sales at roughly six week intervals while Olivers hold around six a year. In spite of the difference in scale, frequency and accessibility, they all reckon on a good turnout (often as high as 50 per cent) from London, the Continent and even further afield.

The only nationality that Captain Francis does not see in Carmarthen are the Japanese, since both Americans and New Zealanders manage the trip. As access to top quality antiques gets ever scarcer, so dealers are prepared to travel further and more frequently. Motorways and improved train services all help to facilitate this while the chance of a local auction-goer, finding an unnoticed gems gets even slimmer.

Advertisements in the trade papers and sophisticated illustrated catalogues, produced well before the sale, mean that dealers are not coming on "spec" but with prior notice of items likely to attract them. If they have been misinformed once, they may not make the journey a second time, so the probity of the provincial houses has to be beyond question.

One provincial auctioneer has launched a major advertising campaign to equate the expertise they offer with anything to be found "in the West End or New York." Lawrence of Crewkerne introduces their eight specialists to the readers of Country Life and other journals with much razzmatazz presumably inciting other West Country auction houses to greater effort.

Another repercussion of the dealers' mobility is bound to mean that new fads and fashions do not go unnoticed either; in the matter of 20th century "new antiques," the provinces are not far behind the London auction rooms. They may not set the new trends, be they in architectural drawings or 1950s furniture, but they are rarely far behind.

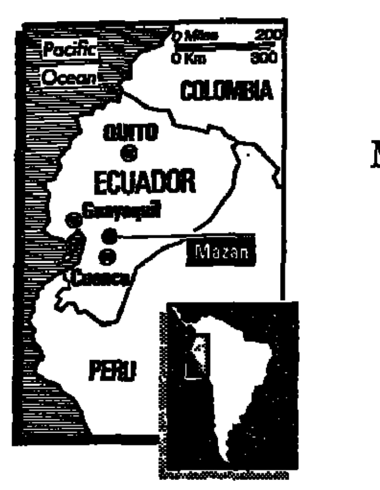
Nor do the provincial salesrooms appear to be worried by the proliferation of local representatives from the main London auction houses. Although they advertise widely in local papers, there seems enough business for peaceful co-existance. As Captain Francis sees it, they are perhaps led by an over-optimistic outlook. "It's the old story of finding things in the attic. Phillips started it and then they all homed in. I'm not sure it works." After all, as he says, "we can offer minimal overheads, insurance, handling, delay."

It is horses for courses in this matter and for many types and categories of fine art, selling (or buying) locally is clearly the best, and most trouble-free, way of doing it, with every guarantee that the price will be right.

Gillian Darley

• D I V E R S I O N S •

Into the jungle to see where toucans play



An expedition of 34 young UK scientists is about to venture into the forest of Mazan — a naturalists' paradise — high in the Andes of southern Ecuador. In the first of several reports, Adrian Barnett describes the "nightmare" involved in raising funds for the trip as well as the rewards that could lie in store as the expedition pushes its way into this most remarkable area.

The expedition's symbol

THIS WEEK I am leading an expedition of 34 young British scientists high into the Andes to survey the wildlife of one of the last *great primary forests* of Ecuador. We have had to find our own equipment, raise our own finance, and surmount one sensitive issue after another in *order to realise this long* cherished dream.

The rocky forest of Mazan is a naturalist's paradise. We have experts in just about everything: birds, bugs, bracken and beasts. We ought to discover rare types of orchid, new lichens, perhaps new types of bat. We may even see flights of the lovable toucan; the bird which we have adopted optimistically as our expedition's symbol. I doubt if a bigger field survey has ever left for South America. We have men, women, holders of Oxford doctorates, two jobbing gardeners, authorities on bromeliads, but no willing cooks. *None of us is* aged over 35.

There was a time when I thought it would be easy. We needed only £10,000, and we had been *adopted* by a registered charity. After the Budget, surely every big company would be willing to support a charitable venture? We are not one more group of Europeans trying to save a last patch of jungle from its natives, but the first group to have been invited by Ecuadorians themselves.

The Mazan project is a *milestone in* the tragedy of South America's landscape. A local Ecuadorian conservation trust has asked us to survey a wild forest which has been bought for safety by an Ecuadorian town, conservation being no longer the monopoly *of* European "greens."

The forest's history is most unusual. The Mazan valley lies on the edge of a high plateau in the western cordillera of the Andes, 20 kilometres from the city of Cuenca. The lower forests have almost all been felled for timber or agriculture. Our forest still stands because it is sited on the steepest, rockiest slope. Parts of *it* are risky, even for 34 bright-eyed naturalists; for years, the forest had been too hazardous for loggers and lumberjacks.

Timber from the Mazan valley has a *high value as furniture* for American living-rooms, and in 1976, the logging at last reached out to threaten our patch. At risk was a big square of primary forest, thick with trees of spectacular size and girth. The lichens and mosses are magnificent, while unlisted types of orchid grow. Rare humming-birds, rusty-faced parrots and grey-breasted mountain toucans survive in the branches. There are quite a few pumas, still hunting their *natural prey*, the brocket deer.

Their loss seemed a very high price to pay for yet more coffee-tables and coffee-table books.

Felling would also have upset the natural flow of water which supplies the Rio Mazan, source of a third of the fresh water for the nearby town of Cuenca. The forest acts like a sponge, *mopping up water which would* otherwise run irregularly and erode the valley's sides. Pumas may be worth saving, but regular water is everyone's concern. In Cuenca, a newly formed conservation group, Fundacion Natura, publicised the consequences of logging and helped to win a temporary ban on its extension.

Once the town had been alerted, the municipality bargained with local landowners and bought the entire valley *for $33,000. I know no other* town which has paid to save its forest. The region was promptly declared a nature reserve, and through Fundacion Natura I *was invited to bring a team to* survey it, although it is gratifying that Ecuadorian students and scientists will be joining us. On their understanding of *the valley's ecology, the future* of Mazan depends.

There have been times in the past five months when it also seemed to depend on some very testing logistics and many companies' continuing unwillingness to put up as little as £1,000 pre-tax. We tended to be given free offers, but not funds. We had *free* batteries, but nothing for food; free freight for our heavier baggage, but no funds for our tickets to accompany it. Charitable trusts *and scientific societies* have been much more helpful. The International Council for Bird Preservation gave a healthy award to pay for the involvement of Ecuadorian students, but not until a fortnight before leaving was I sure of enough funds for food and the remaining flights; we were saved at the last hour.

Fund-raising has had to compete with an organisational nightmare. There seem to be 34 different views among British doctors about the *inoculations which* 34 people need for Ecuador. We have said goodbye to our heavy equipment at Liverpool docks. Will it be farewell, and have we included *enough bird-rings* to record the toucans and the right sort of tubes for collecting the blackflies?

Participants have to be tough and agile and *to expect* trouble. They are young, therefore, and many of them cannot afford telephones. Group meetings have taken some very *persistent organising*. If you ever want to reduce 40 volunteers to nearer 30, I have some expert advice on how to enforce natural wastage. Mean*while*, I am expecting group loyalty, some bad nights among leeches, and an official welcome —if not a civic reception.

Will the tents make the journey from Liverpool to Cuenca? And what about the mosquito nets? Watch this space in the next few weeks for puma tracks and bats' wings.

Gardening.

A seal of excellence

GARDEN varieties are of two very different kinds. One consists of all those varieties that are raised from seed, the other of those that are vegetatively increased, a term which includes division, cuttings, layers and grafts.

The difference is fundamental since every seedling is a new individual and, however closely it resembles others of the same variety, there will be some differences which will reveal its individuality. By contrast, a vegetatively propagated plant is simply a continuation of the original detached from it so that it can be grown in another place. Accidents excluded, it is an exact replica of the plant from which it was taken.

The technical term for all the individuals resulting from vegetative increase from a single parent is "clone" and it is a useful one since there is no popular equivalent. It is even a term that is creeping into general use, *often in slightly* sinister circumstances such as the possible cloning of human beings. But that, as yet, is science fiction whereas the *cloning of plants is a fact that* has been going on for many thousands of years.

Seed varieties are inherently unstable. A seed farmer recently told me that he reckoned four or five generations was as much as an open pollinated flower or vegetable variety could go without the spread of variation making it necessary to get back to *basics and start working up* stock again from a small number of very carefully selected individuals. That is one reason why a seed variety obtained from one supplier may differ significantly from the same variety obtained elsewhere. One grower may have re-selected earlier, or more rigorously than the other or each may have been working to a slightly different image of the original plant.

A clone should avoid most of these uncertainties since, theoretically, it is much more stable than a seed variety. The apple Cox's Orange Pippin is a clone that was selected more than 150 years ago, yet if the original Mr Cox, who picked it out in his garden near Slough, could return to see it he would not find much difference except in its health and that thanks to the discovery of fungicides to check the ravages of scab, canker and mildew which were more or less uncontrollable in his day. But *even stable Cox has* produced some variations over the years including Crimson Cox, which has a much redder skin, and Queen Cox, which has brighter colour and larger fruits.

These could be regarded as benevolent changes but most of those that occur in clones are not. Some happen because the *clone becomes infected with a* virus which might be filtered out in seed propagation but is handed on from generation to generation in the quite large pieces of tissue used in vegetative propagation. Another cause of deterioration is that clones, like individuals, tend to weaken with age. Accidents also occur. Propagating material may be taken from inferior plants or from parts of plants that have deteriorated.

About ten years ago, serious work commenced at the Long Ashton Research Station near Bristol to sort out some of these confusions as they concerned ornamental trees and shrubs and when, in 1983, Long *Ashton ceased to be a horticul*tural and fruit research station, this work was transferred to East Malling. The undertaking is known as the Clonal Selection Scheme (CSS) and is controlled by a committee which includes nurserymen, experts from colleges and staff of the Agricultural Development and Advisory Service (ADAS).

The method adopted by CSS has been to obtain plants of a variety from as many sources as possible and then compare them so that the best, judged *in terms of excellence for* garden planting, can be chosen and identified with letters and a date, LA for varieties selected at Long Ashton and EM for *those picked out at East Malling*. The selected varieties are then returned to nurseries for commercial propagation.

Already, 11 such selections are in the nurseries and many more are to follow. The ones now available are Buddleia davidii Empire Blue EM84 and Philadelphus Virginal LA82, both at Waterers Nurseries, *Bagshot; Buddleia davidii Royal* Red EM84, Cornus alba Spaethii LA79 and Cotinus coggygreia Royal Purple EM84, all at Darby's Nursery Stock (wholesale only); Cotoneaster conspicuus Decorus EM84 at E. R. Johnson, Whixley, York; Forsythia Lynwood LA79 at Wyevale Nurseries, Hereford; Lonicera preyclimenum Serotina EM84 at Wellington Nurseries, Shadwell, Leeds; Potentilla fruticosa Tangerine LA79 at James Coles and Sons, Thurnby, Leicestershire; Sam*bucus nigra Aurea LA80 at* Scott's Nurseries, Crewkerne, Somerset; and Weigela florida Variegata LA 83 at Pershore College of Horticulture, Worcestershire.

All are first-rate garden plants. Others selected but not yet available are Betula pendula Dalecarlica EM85, Crataegus crus-galli EM85, two varieties of C. oxycantha, Paul's Scarlet EM85 and Rosea Flore Pleno EM85, Cytisus Burkwoodii EM85 and two varieties of Euonymus fortunei, Silver Queen EM85 *and Variegata EM85*.

I hope that nurserymen will give this scheme full support and that customers will soon become familiar with the CSS suffix as a seal of excellence.

Arthur Hellyer

Watch where you swim

"SWIM between flags only," *the notice might say. Or*, at a different state of the tide, "Swimming forbidden." What the notices never give is a warning that relates to quite another type of hazard bearing no relation to rocks or currents.

"Untreated sewage outfall on high water mark" is a message not much seen on a flag flying proudly above a resort, particularly if it refers to a population of over 3,000 souls who have contributed to the said discharge. It is unlikely that the local council would go on to make a point of "New sewage disposal scheme proposed for 1990," and if it were to do so it would certainly not add: "Not before time."

For this information, and comment, the anxious holiday-maker must turn to the Coastal Anti-Pollution League and its handy booklet, The Golden List of Beaches in England and Wales (94 Greenway Lane, Bath). Since ITV's *First Tuesday* programme has made this National Dirty Paddling Week, the Golden List makes essential reading for anyone who is looking through the holiday snaps. Did you make a wise choice of beach this year?

Probably not, if the above entry on Newlyn, Cornwall, has any truth in it. Both Newlyn and Penzance seem best avoided until 1990. Do not, for the rest of the 1980s, patronise Botany Bay in Kent, for there is more than the name to put you off. Of the partial treatment accorded to the effluent from 125,000 residents the guide advises: "Be suspicious."

The same caveat is attached to another Kent town, Whitstable, though in this case the relevant population is a mere 40,000, which is only 40 times that for which the List recommends that alarm bells should ring. Still, the place has been worse. An earlier edition warned that here one had to watch out because "oysters are purified with ultra-violent light." Swimmers must have wondered exactly what ultra-violet light did to humans, however purifying it might have been to molluscs.

All the stretches of sand near which I have splashed receive a clean bill of health, with not an outfall for miles. Nor did I encounter such hazards of the briny as "coal waste" (found at Dene Mouth, Durham, which also has untreated sewage), "sand holes" (Bexhill, Sussex), "slag" (Workington, Cumbria) and "tiny red pebbles" (Slapton Sands, Devon).

Tonfanau, in Gwynedd, is the site of a "disused firing range," which sounds ominous, but not quite as ominous as Eskmeals, Cumbria, which is "sometimes closed by nearby firing range." Even worse is Cheswisk Sands, Northumberland, not because of discharges — there aren't any — but because it is a case of "bathing unsafe" because of "unexploded bombs."

The good news from Crosby and its Merseyside neighbours is that they are doing something about untreated effluent. The bad news is that "the programme will take 25 years to complete."

There is, alas, no hope for Hope's Nose, Devon, which dumps the end products of more than 100,000 people, untreated, at the low-water *mark. The beach is "inaccess*ible," which is just as well.

Jonathan Sale

Collecting

The Americana way of life

LAST APRIL a decoy duck, one of those painted imposters used by hunters to beguile the real thing, sold for $70,000 in a provincial New England saleroom, a record auction price. It was a short-lived high. Eight days later another decoy fetched $90,200 and then, on May 2, a *Joe Lincoln* wood duck jolted the market by making $205,000.

Most decoy ducks still sell for less than $500, but the rarest, most finely carved and painted 19th-century versions have doubled in price in the past year and are set to double again in 1986. It says a lot for the passion of American duck shooters (the main buyers) and even more for the craze for Americana.

President Reagan must take most of the credit for the American boom in recent years. He has stimulated the economy, spawned a million U.S. millionaires, and rekindled his countrymen's pride in the US of A. Buyers of things American are not the traditional connoisseur collectors, or even the investment-minded tycoons who have added Impressionist paintings to their portfolio, but Middle Americans with a deep love of their country and surplus money to spend. For some reason the cult appeals to actors—Barbra Streisand is into folk paintings *and she could well find herself* bidding against Paul Newman and Dustin Hoffman, both avid buyers of America's past.

Prices in the past year tell *it all. In January Christie's in* New York sold a Chippendale tea table, made in Philadelphia, for just over $1m, a price far in excess of any rational explanation based on the artistic merit of the item. It followed this up by selling a portrait by the "primitive" artist Ammi Phillips for $682,000, some response to Sotheby's success in disposing of a portrait by Rembrandt Peale of his brother Rubens for $4m in December (a record for any American work of art although this can be reckoned a genuine Old Master).

The full flow of collecting passion can be seen in the $101,000 paid at Sotheby's for a pictorial sampler, the work of a nine-year old girl and, of course, a record; the $29,700 for a quilt and the $45,000 for a cigar store Indian, both at *Sotheby's and both records; and* the $100,000, at Skinner's saleroom in Massachusetts for a weathervane. All these extra-

Dapper Dan, a painted wooden trade sign which stood outside a barber's shop, probably in Philadelphia, around 1880, is expected to sell for up to $30,000 at a sale of the American folk art collection of Donald and Faye Walters at Sotheby's in New York on October 25

ordinary prices have been paid in the past year.

Now no-one can pretend that the majority of Americana represents great works of art. Its simplicity is much of its charm — you get what you see and you don't need a dealer or a connoisseur to talk you into appreciating the items. In many sectors dealers have taken a back seat because they have not been able to capitalise themselves adequately to bid against the committed collectors in the price spiral. Americans collect weathervanes because they are reminders of the pioneer days. A case can be made for the aesthetic imagination at work in the best hand-made designs, and weathervanes are part of American history because the factories that were spawned by the Civil War to *make armaments needed dom*estic goods to keep them busy in peace time; but the case can hardly be worth $100,000.

The same goes for scrimshaw, the carvings by sailors of the ivory of walruses and on whalebone. This is avidly collected by Americans and because it cannot be imported (the creatures involved being protected species) prices are way ahead of the levels in London, stretching up to $44,000. Its appeal is in its manufacture, in the idea of 19th century sailors struggling with the elements, rather than in any artistic achievement in the scratchings.

So Americana is the people's art. It requires little expert knowledge, although art historians are quick to draw parallels between primitive folk art and that other favourite collecting area of the new rich, Flemish landscapes by the Brueghels; it is dominated by collectors rather than dealers; there is no knowing what might crop up next so there are always opportunities for discoveries; it is very, very American, with no international appeal.

It might be a very thin market but no one should underestimate the current obsession of Americans with their past. It is perhaps most strongly seen in the fact that six pictures by Americans have now sold at auction for over $1m and four of these have been in the past year. The force of the collecting is seen in that of the $22m. Sotheby's amassed from its sales of American paintings last year, $18m worth went to private buyers rather than to dealers. And the fall in the value of the dollar is hardly likely to hit the markets.

But there are voices of doom about the future prospects for Americana. Prices have risen too far, too fast; there is a real shortage of top quality material; and, perhaps most significant of all, the recent exhibition of works of art from the stately homes of England at Washington has changed the fashion — folksiness is out; the English country home look is *in. In Americana sentiment* rules rather than any inherent scale of artistic value. On the other hand anyone in the UK who comes across a genuine bit of Americana, perhaps unrecognised and almost certainly under-priced, should buy smartly. American pride is so strong that it will withstand the odd economic recession, or change in interior decorators' taste.

Antony Thorncroft

Letter from Bayreuth

Don't Ring us . . .

"IS MUSIC such a serious matter?" asked a surprised Emperor Franz-Josef on being told that latecomers (*even of noble birth*) would be barred entry to the Vienna opera. "I always thought it was meant to make people happy."

His Royal Highness would have been under no such misapprehension had he already attended (as my wife and I have just done) Wagner's Ring *in* Bayreuth. The four-night ritual (interspersed with two wholly free days for study and meditation) can be relied upon to eradicate the frivolous idea that music and happiness automatically go together.

Part of the reason is that Bayreuth is a dull little town; part that the festival theatre has as much charm as a railway station waiting room for giants; and part that the seats are hard (although more comfy, I am told, than they once were — a daunting thought!).

The real problem, though, is the music. It is as though the curse of the Nibelung, Alberich, which dooms virtually everyone *in the Ring* over a period of more than 15 hours, works off-stage as well as on. Foreigners are at least as much affected (or infected) as Germans. Two Australians, I noted, almost came to blows in the idyllic winter gardens of a palace near Bayreuth over whether the Ring had a positive or negative ending. An acquaintance of mine, who seems to have studied little else since he left school, assured me that either interpretation is valid. What a blessed relief!

The curse affects producers as well as the public—no doubt still more so. Poor Sir Peter Hall, whose Ring production *was shown for the last time in* Bayreuth this year, was condemned roundly after the premiere three years ago—possibly because, as an Englishman, he must automatically be too shallow for this kind of thing and dared to introduce some scenes (alas, only some) of great natural beauty.

If it is any comfort to Hall, yellow leaflets are being distributed in Bayreuth by an "Aktionskreis für das Werk Richard Wagners" calling for the "English Ring" to be kept on because it is *so faithful* to the Master's wishes. It is a little late, of course, since the next producer-victim, Harry Kupfer, has already been named. Roll on the next *scandal! One* can almost hear Alberich sniggering in the depths of the Rhine.

How well one understands Nietzsche (that perfect Wagnerite turned sour) who complained: "Wagnerian orchestration affects me terribly. A disagreeable sweat breaks out all over me. All my fine weather vanishes." And just as Nietzsche fled to Bizet, Carmen and the sun, so the Ring visitors to Bayreuth have an escape route to the south on their "free days." Fewer than *four* hours' drive down the autobahn lies Salzburg—and salvation.

The dumplings of Bayreuth give way to Salsburger *Nockerl* —*that pink and feathery angels'* dessert crowned with powdered sugar. Then, of course, there is Mozart. No more need be said.

And yet . . . here we come to the devilish core of the tale. As you wander through the Salzburg squares, or across the meadows around Hellbrunn castle, themes insinuate them*selves into the mind* — first unrecognised, then unwanted, but ineradicable. It is the music of the gold, of the Rhine-maidens, of the sword — alas, of the Ring.

The curse is gnawing away, even here. One looks at the splendidly gowned and coiffured Salzburg audience in the opulent bar of the *festival* theatre. Is it the opera which counts here, or the interval? You miss that sudden intake of breath from the all-too-knowledgeable Bayreuth audience when something goes wrong, that hardly audible (very rare) moan of content when something goes really right.

Even the *Nockerl* takes on a different aspect — promising on the outside but, after all, insubstantial within. Then, you remember that Mozart loathed Salzburg and you start to feel you can understand why.

So, it is back to the autobahn again, heading north for *Götterdämmerung* (The Twilight of the Gods) with a sigh half of regret and half of relief. It is back to that grim theatre, to those earnest talks about whether Furtwängler's Ring was better before the war or after it, about why there are no heldenteners around any more — and so on.

The old wizard Wagner (Nietzsche unkindly called him a rattlesnake) has us trapped — perhaps doomed like a modern flying Dutchman to ply the autobahn between Bayreuth and Salzburg every summer, eternally hopeful and eternally unsatisfied.

Jonathan [illegible]

Archaeology

Capital gains reintroduced

LONDON's early history rests almost wholly on archaeology. Writers tell us that Claudius invaded Britain in AD43, and that Boadicea sacked London in 60, but only digging has recovered the detailed story of the city's growth and recessions and daily life. Discoveries have been fast as rescue digs have preceded the developers. *Capital Gains!* at the Museum of London (until February 1) is a proud showing of how much we have learnt since 1970, all from rescue work.

Only last year definite evidence appeared, at Jubilee Hall, Covent Garden, that the principal Saxon settlement had been outside the City along the Strand. Although St Paul's had been founded in 604, the City might then have just been fields, as much of *it* seems to have become from 180. The evidence is a layer of dark earth and an absence of buildings. At the end of the 9th century it started to grow again, after Alfred had stopped the Danes. By 1200 the population may have reached 25,000, and been four to five times higher a century later.

The Black Death of 1348 stopped the growth, and there was recession for 150 years. But by 1600 London was larger than anywhere in Europe except Paris and Naples. Then in 1665 the plague came and in 1666 the fire. One result of recent digging has been to find the mediaeval predecessors beneath Wren's churches.

Since 1973, the Department of Urban Archaeology has done the digging and study in the City, and the Department of Greater London Archaeology—an amalgam in 1983 of borough groups—outside. The work has all been rescue archaeology. More than 125 digs have been completed on time with full co-operation of the developers before the piledrivers arrived. More than £7.5m of public and private money has been spent. This formidable record is the envy of Continental colleagues.

Capital Gains! is crowded and cramped, as rescue digs often are. The show needs work rather than being just easy-on-the-eye since most objects, and all buildings, are bits and pieces, and *not whole. Use your* imagination, and it all comes together.

The Romans get most space as most has been learnt lately *about those first Londoners who* made the bridge between Southwark — London's first suburb — and the City. Londinium was trading with the Continent from the start. Its boom came around 100, followed 80 years later by decline and the dark earth, except along the waterfront. (Roman London by Jenny Hall and Ralph Merrifield is an excellent new guide: HMSO, £2.95.)

An important change after the Romans was the appearance of *burial* grounds inside the City. A late Saxon one has been excavated inside Aldgate. The Romans had buried outside, as usual, with cremations till *around 200. Burial* inside was more hazardous, especially if there was plague. But a pilgrimage to Canterbury, Chartres, Compostella or even to the shrine of St Edward the Confessor at Westminster might be a help, as little bottles of holy water and other souvenirs suggest.

The Romans even brought food from Antibes, an "excellent fish sauce" in an amphora that said so—and contained Spanish mackerel bones. Herring and sprat bones from Peninsular House suggest the mixture was made in London too. Animal bones show that beef was favourite at all periods (till 1600). The Romans drank in glass from Cologne, and ate off dishes from France and Germany. If they came back today and saw their business and government centre being dug out beside the new Lloyds building, they would not doubt that the Thames bridgehead looking towards foreign business had been the right spot.

Gerald Cadogan

• DIVERSIONS •

WEAR and DARE

Lucia van der Post

HOW TO SPEND IT

UNDERWEAR, as an indication of social change, doesn't always get the attention it deserves—largely, no doubt, because most of our personal observations are based on so small a sample as to make the drawing of general conclusions almost useless. However, as James Laver, that marvellous chronicler of female attire through the ages, pointed out in his **Modesty in Dress**, it wasn't until the turn of the century that undergarments turned into "lingerie."

The change of terminology might seem a footling point but it indicated an all-important shift in emphasis—from being mainly practical, underwear became garments designed to attract the opposite sex. The plain linen shifts and the short linen knickers, adorned with ribbons and worn over two or more frilled skirts, gave way to silk. As Laver wrote: "This had the advantage not only of adding to the luxury of the ensemble but of giving a curious swishing noise to the movements of the wearer, which contemporary observers, apparently, found extremely seductive."

This was the period of the frou-frou when drawers became known as knickers, a chemise turned into a slip, and petticoats became known as "frillies." Fabrics became softer, lace richer and more extravagant.

The plainest of outerwear hid a "wealth of petticoats of extreme fineness and elaboration." The tone in these matters was set by the *grandes cocottes* and Laver was moved to wonder what use such elaborate undergarments could possibly be to respectable women who did not require them as part of their stock-in-trade.

The notion that women might wear such things simply because they enjoyed wearing them even though they could not be flaunted in public, clearly was thought to be too extraordinary to be entertained.

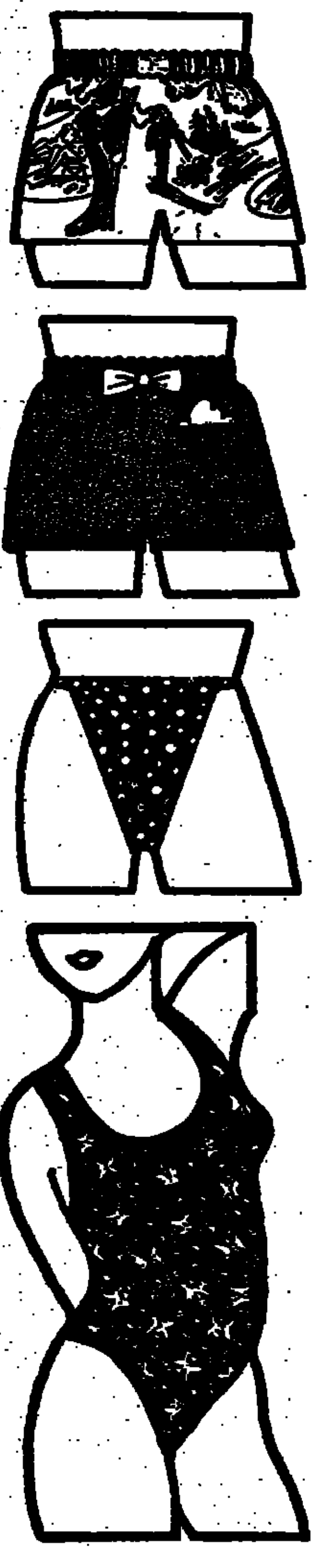
In today's more radical days, the notion of designing clothes that please women themselves, as opposed to garments that are meant to make them pleasing to men, is almost taken for granted—except when it comes to underwear.

Here, the lingerie buyers have until recently still seemed in the dark ages, offering either resolutely serviceable underwear of an almost puritanical plainness or else impractical, frilled and satiny numbers that few really wanted but that somebody, somewhere, had decreed were pleasing to men.

Calvin Klein was one of the first to offer a simple, practical range of co-ordinating vests and knickers in charming colours that seemed to bear some relationship to the lives that most modern women live. Alas, nobody here imports them and devotees of his style should head straight for Bloomingdale's if ever they find themselves in New York.

This autumn, however, there is good news—almost every "name" designer, chain-store or "life-style" purveyor seems simultaneously to have spotted a huge, enticing gap in the lingerie market and gone for it full-bloodedly. We are going to be spoiled for choice.

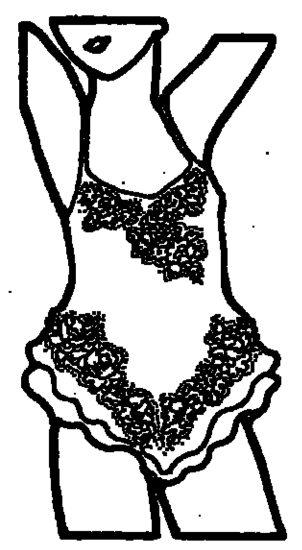
From Jasper Conran's simple but delicious creations in finest crepe de-chine, georgette and heavy satin, to Laura Ashley's innocent, flower-sprigged cotton jerseys, from Next to Marks and Spencer, never before has the temptation to bare all been greater. Photographed here are some of the best of the autumn's new offerings.



Knickerbox

Drawings by Anna Morrow

Marks and Spencer



Jasper Conran

Laura Ashley

FANS OF the expanding Next empire will be happy to know that there is no longer any need to go elsewhere for their knickers and bras—now you can take your pick from towelling robes and rompers, from cool cotton briefs and bras, from slinky polyester satin negligees, from jokey leggings to warm pyjamas.

Most Next customers will by now be aware that since the autumn there have been two separate collections on offer—Next Too (offering a more relaxed approach to dressing and especially strong on leisure and casual wear) and Next Collection (with more on offer to those who go out to work, as well as more for the older, more sophisticated woman). Next Lingerie can be found in some (but not all) branches of both.

The Next design team like to emphasise that this collection "is not designed as a come-on for men but to please women." In practical terms what this means is that it is an eminently comfortable range—no scratchy, tacky lace, lots of clothes to relax around the house in and easy cover-ups to slip on after a bath or shower), plus lots of sympathetic fibres like cotton, cotton jersey and silk.

Typical of the collection is this simple, but easy-to-wear vest and brief set in 100 per cent cotton. In pale pink it is just £7.99 for the set.

AFTER THE Tie Rack and the Sock Shop, it had to come. Tuesday October 21 at 189 Regent St. will see the opening of the first of what is hoped will be a chain devoted entirely to underpinnings—the Knickerbox. No longer will you have to find your way to the upper storeys of department stores where the "lingerie" departments usually lurk, no longer will you need to brave the scrum at M and S. If the Knickerbox is to your taste, you can choose almost everything you need from a silver and black lame set of bra and pants to some zany boxer shorts for the man in your life.

The brainchild of two ex-Marks and Spencer buyers, it is hoping to do for underwear what the Tie Rack has done for ties—that is, to turn it into a more frequent, more light-hearted purchase, to entice shoppers into making underwear a more frequent present. At least half of what will be on offer has been made exclusively for Knickerbox.

While conceding that M and S still offers the usual fabled value for money, Stephen Schaffer and Janie Godber, founders of the Knickerbox, feel there is room for a more "innovative and adventurous" approach to the matter.

If "fun" is what you expect from your underwear, then Knickerbox may be the place for you. Do not go expecting refined and edited collections of exquisite taste. Go, if you are sure of your own taste and are prepared to search through racks of mixed styles for what you want. Choice is the name of the game. Some of it seems to me frankly frightful, but lurking among the perhaps excessively adventurous numbers are some very useful buys. I like particularly the thermal range—nice leggings in black with white stitching, or in white with pink stitching (underwear has for sometime now been working its way outwards. Donna Karan's famous "body" is half-underwear, halfway very glamorous outerwear) and I see the young and long-legged having a lot of fun with the leggings and some copies of grandads famous longjohns.

Sketched here are some of the more "fun" boxer shorts on offer—prices range from £1.30 for a pair of basic knickers and go on up to £10.99 for pure silk boxer shorts. Polka-dot briefs are £1.75, the "body" £8.99.

★

No story on underwear would be complete without a look at Marks and Spencer, whose fabled ability to kit everybody from duchesses to typists has become part of the mythology of our times. In the last few years it has adopted an increasingly fashionable approach to underpinnings, offering us everything from bone-warming thermals to pure silk French knickers. This autumn brings one of the most comfortable, yet seductive garments, ever devised — the simple pyjama made in a seductive fabric, in this case 100 per cent polyester look-alike satin. Just £25, it comes in cream with purple piping and is available now from 20 selected stores, including the Marble Arch branch.

★

If there are any indulgent chaps out there looking for a sumptuous present to give their loved ones, hold on until mid-November, when Jasper Conran's first collection of underwear will be going on sale. Made from lovely fabrics like crepe-de-chine, georgette and heavy satin, in ivory or old-fashioned soft pink, the designs are quite simply gorgeous. There are very simple running vests, knickers, some like French knickers, others simpler, there are long slips just right for wearing under long slim dresses, and there are teddies like the one in our sketch, so beautiful it seems a shame to cover them up. There are also some really lovely night-dresses, beautifully cut and quite simple but always made more beguiling by fine detailing—like a soft bow on a low-cut back or a little fine embroidery. Find it at Jasper Conran's own shop at 37 Beauchamp Place, London, SW3—the shop opens next week on Wednesday and will sell the complete Conran line but the lingerie won't be on sale until November.

★

Laura Ashley, too, has chosen this autumn to enter the underwear field for the first time and I see its collection being every bit as successful as almost everything else it does. There are charming flower-sprigged cotton separates—feminine enough to appeal to women and yet practical to wear. Besides the simple vest and knickers photographed above (£14.95 the set, in white with green leaves and pink rosebuds, all in 100 per cent cotton), there are long-sleeved and long-legged pyjamas for those living in draughty houses and some simple slips.

Quantity, yes - now for quality

THE 1986 vintage that begins shortly in France promises to be exceptionally interesting, though even now it would be premature to forecast its outcome. For it is the weather these last few weeks that settles the quality of a vintage; and fine, hot, dry conditions are needed. One thing is already certain, however—the harvest will be large practically everywhere.

Yet the year did not start well. It was a very cold winter, though without the destructive effects on the vines in 1985. Nevertheless a cold winter destroys bugs that may cause difficulties later. Apart from Alsace, there was little winter rain, particularly in Bordeaux, the biggest wine region. But from the beginning of April the weather changed and was very wet until mid-June.

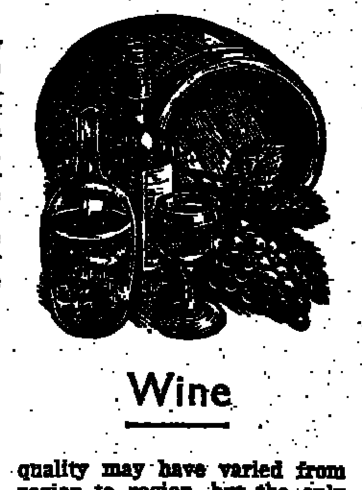
Everywhere, and especially in Champagne, the vines were two to three weeks in arrears. The heatwave that suddenly developed in mid-June, with temperatures up in the eighties, completely changed the situation, and a perfect, quick vine flowering followed, with ample setting of the grapes. From the beginning of July it was clear that the harvest would be abundant.

Nevertheless the very hot weather led to a shortage of rain that in some regions caused a drought, particularly in the southern Rhône. In Champagne it was less settled from mid-August onwards, with rather similar cold, wet conditions to those in Britain. Elsewhere some rain has followed, but not much in Bordeaux, Burgundy or in the Rhône. The large size of the crop may be a problem since too many grapes on a vine delay the ripening and may even inhibit it fully. Picking may be postponed a week into October and that could make all the difference to the result. This has been suggested for Burgundy.

The winegrowers will have carried out some summer pruning. Meanwhile we can only wait and see. It could be an over-large vintage, diluted like 1973 by poor pre-vintage weather, or enhanced as in 1983 by unexpectedly hot harvest conditions. Growers are optimistic, particularly in the northern Rhône, Alsace, the Loire and Bordeaux; and rather more cautious in Burgundy. Champagne looks for quantity to increase its stocks.

As consumers our reactions may be different from the growers who always want a large, saleable crop. This would at least stabilise the prices of everyday-drinking wines, but otherwise do we really want another good vintage just yet?

We have had an unusual run in the last five years. The quality may have varied from region to region, but the only really moderate-to-poor year since 1980 was 1984, and the better clarets and dry white wines were not unsuccessful even then. Obviously, new vintage wine buyers and drinkers enter the market every year, but for those with reserves stretching back some years there arises the question of price as well as of accommodation and vintage wine requirements.



Wine

Finer French wines, particularly from Burgundy and Bordeaux, have reached price pinnacles; so much so that there has already been a fall in Chablis prices. A big crop throughout Burgundy must surely lead to a similar drop in prices. Certainly leading merchants there expect this.

In Bordeaux a large, saleable claret vintage would cause problems both for growers and merchants, and there are a number of unanswered questions. How much of the 1984s and the record 1985s remain in the vineyard cellars, and how many of the 1984s on the *négociants'* books? What proportion of the 1985s have the leading châteaux sold and how much retained? Although most of the classed growths that unreasonably increased their 1984 prices under trade pressure did not again raise their opening prices for the 1985s, some released only small quantities. This was partly to maintain demand and price, and partly to avoid early tax payments, due when wine leaves the cellars. Their second *tranche* offers were often much dearer.

A good deal of consumer ill-feeling has built up over the excessively high 1984 prices, and the high margins demanded by merchants for the 1985s in order to cover unsold 1984 stocks bought to keep "in line" for the 1985s. The proprietors, who more or less established their 1985 prices, blame the merchants for high margins on mere book-keeping transactions, while the latter retort that this was necessary owing to the uncalled-for raised prices of the moderate 1984s. Their customers, not least in the important and articulate American and British markets, whose currencies have fallen substantially in relation to the franc, are inclined to blame both sides.

Owing to very positive and not ill-founded publicity the Bordeaux trade was lucky to dispose of the 1985 classed growth clarets that make the news: particularly in Britain, but less so in the more volatile American market. Here the *en primeur* market, with the wines being offered by importers and retail merchants as soon as released in Bordeaux (and in some cases even before) has achieved a growing success. To some extent consumers have fallen in with this, with the comfortable feeling that to have delayed their purchases would have meant paying more for them in real money terms.

For the most part this has not been a matter of speculation but if for one reason or another it would be useful to sell some of the 1978s, 1979s, 1981s, 1982s or 1983s acquired money would be gained rather than lost. Less confidence may already be felt over the higher-priced 1985s, and with a number of vintages "below stairs," whatever the quality of the 1986s, it may be wise to wait before rushing to buy them—at least until respected wine merchants have been able to taste them in bottle a couple of years hence; and to see how the market goes.

Anyhow, there is no doubt that however the 1986 clarets turn out, they ought to cost less than the 1985s and possibly than the 1984s too. Advance suggestions in Bordeaux range from cuts of 10 to 25 per cent. But in the post-war history of Bordeaux, price reductions have been very rare: only in the mid-70s' slump after the feverishly high, speculation-induced prices from 1970 to 1972. The growers feel that lower prices indicate less good wines. A personal insult!

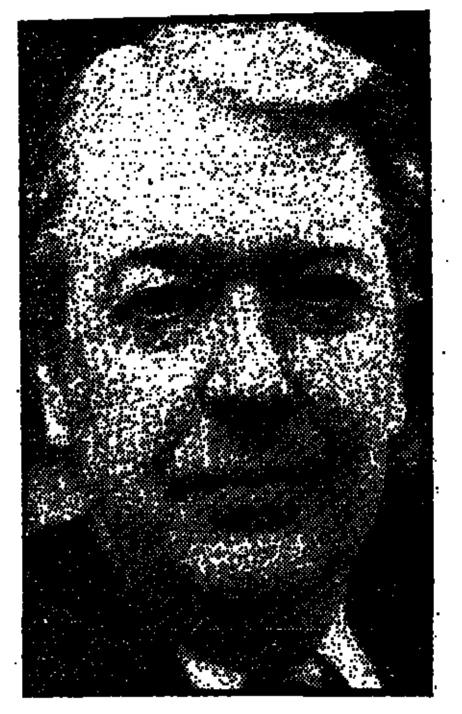
Yet the market may force this on them. Meanwhile the best advice to be given to those who want to buy young claret is to buy the *crus bourgeois*, which in general have not joined in the price race. They are the best value in Bordeaux. They may not go up much in value, but they are unlikely to go down.

Edmund Penning-Rowsell

• BOOKS •

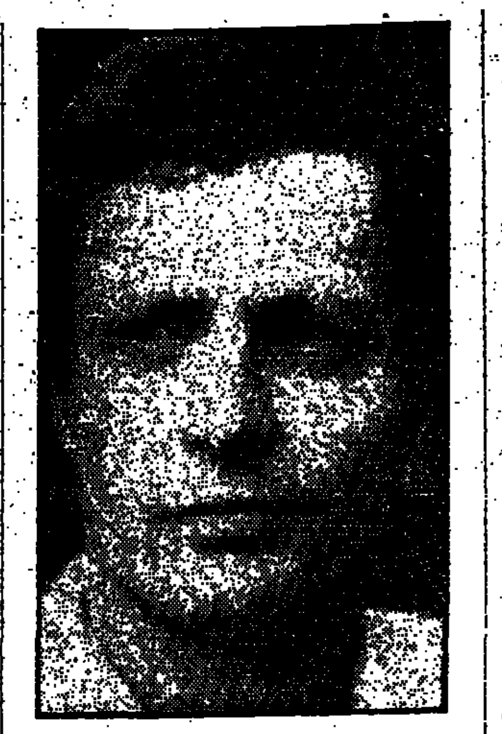
Janice Elliott

Penelope Fitzgerald



Kingsley Amis

Piers Paul Read



Christopher Hudson

Anthony Burgess

The short list of six novels for this year's Booker Prize will be announced in twelve days' time. Meanwhile our critics review some of the books the five judges are currently considering

Daffodils rampant

THE OLD DEVILS
by Kingsley Amis.
Hutchinson £9.95, 294 pages

PRAISE THE Lord! We are a bibulous nation! Kingsley Amis's The Old Devils, a bloody funny lovely bloody book (as we would say in Wales), contains more serious drinking than in Suetonius on a Roman orgy. And like Suetonius, the novel is about the twilight of the gods — in this case, a crazy gang of Welsh sexagenarians for whom an evening on the Soave, Islay Malt and white Rioja begins straight after breakfast (Amis once wrote Every Day Drinking). This is Last of the Summer Wine transferred to Swansea and points round about, and — crucially — rewritten by a genius at full throttle.

The Old Devils is a gathering of long set-piece swillings, each chapter having one of the major characters as its focus (Malcolm or Muriel or Peter or Gwen or Alun or Rhiannon). The plot, epic and miniature simultaneously (like Jane Austen; Amis once wrote What Became of Jane Austen?), concerns the return to his roots, after a life in louche London, of Alun Weaver and wife Rhiannon. How will Wales measure up after all these years; how will the returning natives measure up to Wales? How will old friends and enemies have altered?

Alun (né Alan, "that was before he went in for being a Welshman professionally") had fatally found fame as the parody Taffy, whose hero was the poet Brydan — who is Dylan Thomas in all but name, "a great writer . . . but in too many ways a sadly shabby human being." Alun himself is a sadly shabby human being, and a second-rate writer.

Under Alun's hymns and arias are charm and smarm. Many years ago he illicitly sexually serviced at least several of his close friends' wives. Little time is lost taking up where he left off. "that bloody old Welsh chancer."

Then there's bloated Peter, who in 1947 impregnated Rhiannon; and Gwen, fractiously in love with Alun; and Malcolm, Gwen's husband, wistfully, hopelessly in love with Rhiannon . . . The love-knots enwrap as bindweed. The dramatis personae may be crumbling, croaking OAPs, worried about baldness, bad teeth, decrepitude and being Boswells to their bowels generally, but at heart they are a crew of prancing pubescents; old men and women carbuncular emotionally still in their teens. Adolescence advances for as long as forever is.

Brilliantly amusing and quirkily moving though this is, my excitement about the novel lies in its delineation of the Welsh temperament: more specifically, the South Wales temperament: the Anglo-Welsh, who do not speak Welsh and who secretly hate the lingo which adorns the telly and signposts; who live in Glamorgan and Gwent ("that was very like England and yet not England at all"); who are ironical, deceitful, roaring, garrulous, over-punctual. Amis has tapped a tribe unmolested since Under Milk Wood (here called Tales from the Undergrowth).

The Old Devils bristles with felicities. Amis knows the culture between Swansea and the Severn Bridge better than a Welshman; better, because he can preserve that tiny objective quizzical distance, making for a book no Welshman would dare write and which I laughed long and loud with, recognising the truth on every page.

Roger Lewis

Anguish of Vichy era

THE FREE FRENCHMAN
by Piers Paul Read. The Alison Press/Secker & Warburg
£10.95 570 pages

"THE TRUTH we must acknowledge" says a bishop in this long saga of the French Resistance, "is that Almighty God sends each of us on a separate mission so that holy and sincere men may in fact face each other in battle." Well, up to a point, lord bishop, according to Piers Paul Read. The only truly holy and sincere man here is the hero, Bertrand de Roujay, a kind of jeune fogey, whose aristocratic origins, Roman Catholicism and tortured sexuality mark him out as a classic Read character. The author traces his family history from the beginning of the century, his marriage, subsequently annulled, to a beautiful freethinker, the birth of his daughter, his involvement with de Gaulle, women and God, in that order. The first third of the book is scene-setting for the terrible trials of conscience when the Vichy government takes over and the French have to choose which way to jump.

Bertrand, previously a dignified and correct sub-prefect escapes to join the General in London. He becomes involved with, and marries, a young English girl, a liaison which also ends in disaster, as do two other affairs with French women, whose lurid deaths are the direct result of his connection with them when he returns to take over as Commissaire after the Liberation. The action moves between Vichy France and England and follows the impossible choices which had to be made, the compromises within and without the Resistance movement, the effect on lesser men and women of trying to choose the right course either from self-interest or genuine nationalistic or religious fervour. Jews, Communists, worker priests, intellectuals, clerics, criminals—all friends of de Roujay—play their part in a novel which is complicated without, unfortunately, being complex.

It is an ambitious story recounted in a strangely flat style, in which characterisation is at a minimum and where pedantically accurate descriptions of location read like a trot through the red and green Michelins and the historical underpinning reads like a lecture for Modern History, France 1939-45. Although the plotting is masterly in that at the end of 570 pages, every minor character is seen to have slotted neatly into the grand design, there is a curious thinness of authorial interest.

The terrible crises of conscience provoked by the desperate situation do not make for convincing internalised struggles, but rather for neat, satisfying jig-saw puzzle plotting. Few of the characters are more than sketches and some of the action is pure soap; it is one of those enterprises where the television adaptation will be better than the book.

Bertrand's struggle to be a spotless soldier of Christ, is, as usual in Read's books, marred by his essential feeling that sex is nasty (vide Read in the Spectator last week: "the strong current of human sexuality flows underground and may surface in an unpleasant and unexpected way.") This leads to scenes of crass unpleasantness which jar the tone and are suspiciously gratuitous. On the other hand, it is a worthy attempt to point out the complexities of war and nationalism: what is a true patriot is a question to which we should all address ourselves, and this book helps to clarify that issue.

Mary Hope

Planters, pianists and castaways

THE PIANO PLAYERS
by Anthony Burgess.
Hutchinson. £8.95. 208 pages.

THE SPORTSWRITER
by Richard Ford. Collins/Harvill. £10.95. 380 pages.

INNOCENCE
by Penelope Fitzgerald. Collins. £9.95. 224 pages.

NEWS FROM NOWHERE
by David Caute. Hamish Hamilton. £10.95. 403 pages.

COLOMBO HEAT
by Christopher Hudson.
Macmillan. £9.95. 323 pages.

FOE
by J. M. Coetzee. Secker and Warburg. £9.95. 157 pages.

ANTHONY BURGESS'S new novel is, I suspect, something of a jeu d'esprit. Partly because of this it is, I think, one of the most successful of his many novels. It will remind some readers, in its picaresque gleefulness, of Joyce Cary. But, excellent though Cary was within his limitations, in, say, The Horse's Mouth, this is by far the superior novel: affirmation counts for much more when it is accommodated by the vision of a rich pessimist than when it is the natural view of a fairly simple-minded optimist.

The Piano Players is the story of the Mancunian Ellen Burshaw and, mostly, of her marvellous father, a joyful pianist who fights the devils of boredom and lack of imagination as though his whole life were at stake. Indeed, it is. It is not possible to do justice to this book in a short space. Part autobiography, part joyous invention, it combines picaresque at its best (for 30 years now this form has been an excuse for careless writing) with comedy of high subtlety and poetry. It is the major novel of a major novelist.

Richard Ford's The Sportswriter comes very highly spoken of from America. It is a tragi-comedy about a sportswriter who wants to get through life as easily and as nicely as he can. But he is worth more than that: life tests him. In a short course of time he is turned down by his ex-wife (this has happened before), is humiliated when he goes on a visit to his girl's parents, and is involved in the suicide of a friend.

The writing is genuinely comic; but what is best of all about this novel is its extreme sensitivity to character. Ford manages to show us how deeply his alienated protagonist is committed to life. This is one of the finest novels to come from the American South for many years.

Penelope Fitzgerald's new novel is set in Italy in the 1950s. It is well up to the standard we have come to expect from this subtle, highly observant, slightly feline—and yet essentially happy — novelist. She deals, amongst others, with an innocent Italian girl, a worldly English one (her friend), and with a would-be cynical doctor from the south of Italy. As always unpredictable, with the author's supposedly guileless voice come easily off the page: it is as readable and wise as ever.

We are fortunate this week. I have always thought David Caute — undeservedly best known as a historian — was neglected as a novelist, and have always remembered his (not Spengler's) The Decline of the West as one of the best "existentialist" novels in English. News From Nowhere is as good as ever. It is an intense study of a bright young star of the New Left who goes to Zimbabwe during its bitter struggle for independence. As so often happens, he is correspondent for a Tory newspaper. Also masterfully dealt with is his mentor, the famous left-wing political philosopher Harry Marquis. Not many people can write true political novels, but Caute can. Those who imagine that his left-wing sympathies distort his imagination are in for a surprise. A thrilling and acute novel, which I highly recommend for its insights and its sharp and tragic sense of the realities of the modern world.

Colombo Heat is set, with much knowledge, in Ceylon. Guy Tancred is sent there by the rubber company for whom he works in 1941. He thinks he will be bored, and most especially by his elder brother, who is a rubber planter there. But, formerly something of a frivolous man, he is sucked into action both emotional — his brother's wife — and political. This reads authoritatively, and, while I think it superior to the work of Paul Scott (its point of view is less limited), it is right to say that those who enjoy Scott will enjoy this, too.

Many writers have tried to expand on Defoe's masterpiece Robinson Crusoe. It usually proves a mistake, and J. M. Coetzee's dreary new allegory is, alas, no exception. A girl is marooned on a mid-Atlantic island, and finds herself in the company of Cruso (as the author spells it) and the mute Friday. Later she goes to London, with Friday, and meets Daniel Foe, who is less interested in life on the island than in her. This failed entirely for me: the allegory is strained and even at times pretentious. We are supposed to encounter rich art, but instead are confounded by an over-literary and self-conscious work. This author can write much more effectively than he does here.

Martin Seymour-Smith

Sunstroke folk

STARING AT THE SUN
by Julian Barnes.
Jonathan Cape £9.95,
193 pages

THIS NOVEL is Julian Barnes's fourth. None of them has greatly resembled its predecessor, but each has been a stylish performance: this versatility must have been one quality which won him the E. M. Forster Award from the American Academy this year. His books have shown a developing strand of cleverness and a gift for invention and elaboration which is most engaging. Flaubert's Parrot on a Booker short list has had a success in France. This new one has an unusual feel for language, but I have not really caught its point.

Perhaps the reason is that I detest novels which end with a leap into the future and an encounter with an over-programmed computer. For the first two-thirds of this book, I was more or less on board ship. We were passing through life with Jean Sargeant whose early memories included games on the golf course with an amiable trickster, Uncle Leslie. Then came the war against Germany, marriage to Michael the policeman and a love-life which had more to do with the problems of contraception than any physical pleasure. Then came a baby, abandonment of Michael, odd jobs, a rapid leap over the baby's progress to manhood and a series of journeys to remote places which contained some clever lines about China and the Pyramids.

By now, the son had found a feminist girlfriend who had a strong line in slogans, but went to bed with Jean, the mother, instead. Then we move to the 21st century when Jean is nearly 100 and her son is 60. Some sharp remarks about aged hands ("herb sausages..." "pieces of rope threaded with hazelnuts") tail off into the son's confrontation with an all-knowing data bank and a specially privileged computer, known as TAT (The Absolute Truth). During the war Jean's household had had a fighter-pilot billeted on them. His visions of the sun and reactions to combat intrigued her young mind. They resurface and remain with the story until its finish.

This sequence draws on a careful attempt to see life through a woman's eyes and to imagine the impressions of great old age: Julian Barnes is 40 this year. It is full of clever pieces of information and ingenious ways of seeing places and objects: at times, especially when travelling or confronting death, it wanders. It is presented as a book whose central theme is courage: forewarned, I certainly saw the theme was present. Is a woman's slow, enduring courage different from a man's? What is the relation of fear to courage? Is it braver for a wife to stay or go? Is courage, perhaps, the concealment from close friends and family that you greatly fear death? What about suicide? These themes develop, but they do not develop through human relationships and a delicate awareness of human variety.

Rather, they occur in one chain of fancy after another. What is the point of a life, we seem to be asking, among some ingenious tours de force? Staring at the Sun is not an easy or obvious book: you may catch the thread and the tempo without sharing my nagging worry—that it is not, primarily, a book about people.

Robin Lane Fox

Female sleuth survives

JEMIMA SHORE'S FIRST CASE AND OTHER STORIES
by Antonia Fraser.
Weidenfeld & Nicolson.
£8.95, 186 pages

BODIES
by Robert Barnard. Collins.
£8.95, 173 pages

OFTEN WHEN thriller writers turn from the novel to the short story, they abandon all efforts at plot and character and simply present tricks, gags, biters-bit. For a number of the stories, in Jemima Shore's First Case Antonia Fraser has her ready-made, soundly-characterised investigator-protagonist; and Jemima's adventures are always credible. Even in the other stories (except for one less than happy venture into the supernatural), the author provides genuine people in genuine situations. One pedantic niggle: Lady Antonia should either learn Italian or suppress her penchant for having Italian-speaking characters. The results are sometimes annoying, sometimes inadvertently naughty (miraculo, indeed!).

What an ear Robert Barnard has! In his new novel, set in the sleazy world of body-building and the adjacent world of soft porn, he gets the language just right: the abstracted sanctimonious tone, the use of the word "sport" to denote the grunting and straining of the gym. The crime itself is patiently solved by the wry, familiar Barnard detective Perry Trethowan.

William Weaver

When predatory children ran amok in Germany

CHILDREN OF THE RUINS
by Thomas Wiseman. Jonathan Cape, £9.95, 360 pages

DR GRUBER'S DAUGHTER
by Janice Elliott. Hodder and Stoughton, £9.95, 159 pages

Q CLEARANCE
by Peter Benchley. André Deutsch, £9.95, 344 pages

REDBACK
by Howard Jacobson. Bantam, £10.95, 314 pages

MEFISTO
by John Banville. Secker & Warburg, £9.95, 234 pages

HITLER CALLED them Wolf Children, the gangs of 12 and 13-year-olds who roamed unchecked, undisciplined through the streets of Cologne during the last, desperate months of the 1930s. They grew their hair long, wore British clothes, aped all things American. They extended two fingers to the Hitler Youth, membership of which was compulsory, two fingers thereafter to the Wehrmacht. They did no war work, owned no ration books, contributed nothing to the Fatherland during the long years of struggle, asked for nothing either. They were, in Thomas Wiseman's words, Children of the Ruins.

A repellent crew, by all accounts. Fighting, stealing, mugging, murdering, whatever was nasty, whatever was brutish, it was all the same to them. There was nothing they wouldn't do. They lived a feral existence, sub-human almost, yet curiously attractive in the hands of Mr Wiseman. Part of the attraction, all of it perhaps, is that their enemies were our enemies also, the jumped-up barmen and lavatory attendants who rose to positions of petty autonomy in the Nazi Party and then abused their power for all it was worth.

Best drawn of all is the German cardinal who rejects leniency for an under-age delinquent in favour of the butcher's hook. The author has chosen his targets very cunningly. The victims here are not Jews, the scenario is not Auschwitz at all. The victims are the Germans themselves, a people snapping crazily at their own entrails. Great writing it may not be, but Children of the Ruins is a most absorbing read.

Hitler casts his shadow again in Dr Gruber's Daughter, Janice Elliott's enigmatic study of an English boarding house in Coronation year. The house is full of illegal refugees, most of them agreeably barmy in typical boarding house tradition. There is a bald, Germanic landlady, who rules her domain from a wheelchair and has to summon that old fool Babakov from the basement whenever she needs anything; a Hungarian countess practising her dance-steps in front of the mirror; a nice Polish boy in love with an undergraduate at the nearby university; a spinsterish English woman who gives Chaucer tutorials; and of course the mysterious Dr Gruber, who has taken up a solitary residence in the attic and responds to no music except Wagner.

What is Dr Gruber's appalling secret? Detective Sergeant Rainbird would certainly like to know. It would save him the bother of lurking in the shrubbery. Dr Gruber's promiscuous daughter, who arrives clendestinely from post-war Europe, does know but isn't telling. Nor is anybody else. The answer gives rise to a very black comedy indeed, offbeat, a little untidy in places, but plenty of fun all the same.

Peter Benchley is trying his hand at comedy too in Q Clearance, the zany story of a White House typewriter-jockey (a Presidential speech writer, such as the author himself once was) who receives clearance to shred important documents and suddenly finds himself up to his neck in all sorts of intrigue over which he has no perceptible control.

Summoned at short notice to the Oval office, he grabs a sheaf of papers to look important, a sheaf on which his secretary hastily scribbles "Andrei Gromyko returned your call." This so impresses the President—a wonderful caricature of an ignorant oaf—that he promotes the speech writer to the position of top international adviser. Throw in a beautiful Russian spy—one gets the impression that the author did just throw her in—and you ought to have a sparkling, tip-top comedy with all the right ingredients.

The result however is good only in parts. The plot is weak and unstructured, the jokey material not as finely honed as it should have been. But the insights into the absurdities of the White House are splendid. Here is a book that needed to be written.

Howard Jacobson's Redback proceeds in much the same vein as Q Clearance, but to Australia this time, where the Cambridge-educated narrator is working undercover for the CIA. While there he meets a host of characters with outlandish names and is bitten in a very inconvenient place by a redback spider. The portrait of Australia that emerges is affectionate and witty, but it has to be said that the novel as a whole is more than a little slapdash. It makes one laugh though, and that is a gift above rubies.

John Banville's Mefisto is a puzzle. It is extremely well-written, the work of a prize-winning novelist, yet almost wholly unsatisfactory as well. It is in two parts, the first charting the Irish country childhood of a mathematical prodigy, the second his equally bizarre adulthood in an unnamed town, where he works on a computer by night and has an affair with a very odd girl by day. The only link between the two—the best thing in the book—is his friend Felix, a marvellously raffish character in the finest Irish tradition. Everything else is left deliberately vague; irritatingly so.

Nicholas Best

Irina Ratushinskaya: imprisoned for her courage

Brave poet

NO, I'M NOT AFRAID
by Irina Ratushinskaya,
translated David McDuff.
Bloodaxe Books, £4.95,
142 pages

IRINA RATUSHINSKAYA is 32, a poet of Polish descent who had the misfortune to be born in the Soviet Union. Since 1983 she has been in a prison camp in Mordovia for "especially dangerous state criminals," serving seven years of hard labour, to be followed by five years of "internal exile." Imprisoned at 28, she may not regain her liberty, which is not the word, until she is 40, if she survives. The authorities apparently do not want her to. Within the camp she was transferred to a special punishment unit for protesting against the conditions. There she was subjected to solitary confinement, a starvation diet and exposure to freezing temperatures; she has been beaten, force-fed and denied medical treatment. Although healthy at the time of her arrest she is now seriously ill, as are other prisoners of conscience in this camp, suffering from kidney disease, fevers and swellings. Since this book went to Press she has been reported to be worse, with haemorrhages, attacks of angina and loss of consciousness. Drugs were refused; her relatives were unable to see her. Following publicity about her case she has in recent weeks been transferred to a prison in Kiev for "re-education," supposed to lead to public recantation, but has still not been granted proper medical attention.

Irina Ratushinskaya's crime was the "manufacture and dissemination" of her poems, constituting "anti-Soviet agitation and propaganda." A samizdat account of her trial reports that she was not allowed to represent herself, that no-one known personally to her was allowed into the courtroom.

This excellent paperback from Newcastle-based Bloodaxe Books contains a selection of Ratushinskaya's writing, including work smuggled out of prison, backed up by testimony from her husband and friends. It also prints an illustrated Amnesty International report on the camp and its women prisoners, with a communal diary from them recording Ratushinskaya's persecution. The translator, David McDuff, known for a version of Mandelstam, has rendered Ratushinskaya's poems in a rather loose free verse.

Even in translation, however, the courage of her writing cannot be missed.

David [illegible]

[illegible] من الأصل

هكذا من الأصل

• ARTS •

Decline and rise of best British design

IT IS hard for anyone aged less than 60 to imagine the veritable explosion of idealism and hope which was unleashed by the end of the Second World War, after all the long years of worry, deprivation and loss which had permeated every aspect of life. So an exhibition which opened this week at London's Royal College of Art, recalling the state of British design in 1946, is doubly welcome for those of us who are relative striplings.

The RCA display, called *Make Or Break*, echoes an exhibition titled *Britain Can Make It* which the newly formed Council of Industrial Design (now the Design Council) mounted with the Labour government's support in September 1946. Held in the Victoria and Albert Museum, the event had the dual purpose of creating an export showcase for British products and stimulating public interest in design.

Whether the first objective was achieved must be highly doubtful, given the subsequent stagnation or decline of so many of the products featured again at the RCA (it is crammed with such post-war gems as teak Murphy radios and streamlined metallic HMV electric fires).

But the second aim was met beyond the organisers' wildest dreams: the exhibition drew almost 1.5m visitors, more than three times the original estimate. People lined up five-deep to see it, in interminable queues, and mounted police had to be called in to control the crush. Few exhibitions, certainly not of design, can spark such excitement today.

So popular was the show, as a psychological focus for Britain's nascent emergence from an era of austerity and rationing, that it was quickly dubbed "Britain Can't Have It"—the complaint being that many of the goods were in short supply, and earmarked for the much-needed national export drive. More positively, the exhibition's success spurred the mounting of the much larger Festival of Britain in 1951, precisely a hundred years after Prince Albert had vented his frustration with the lack of good, exportable design in UK industry by sponsoring the Great Exhibition.

In the event, the 1946 showcase failed to have much lasting impact on either the mass-market purchasing habits of consumers, or on the tendency of industrialists to ignore the commercial potential of design. A book called *Did Britain Make It?* published to coincide with the RCA opening, makes this crystal clear. One of the essays it contains, by Wally Olins, a top design consultant, argues that even as late as the 1950s, "design was quaint, somewhat precious and only of peripheral significance to the real world."

Only in the 1960s, with the arrival of the Beatles, swinging London, Terence Conran's Habitat, and a new breed of commercially aggressive design consultant, did design really begin to reach the wider public.

Until that belated emergence, British designers continued to shelter—some would say stultify—inside the snug, middle-class cocoon created 80 years before by William Morris and the Arts and Crafts Movement. More modern, foreign developments were allowed to have some influence (notably Art Nouveau and Art Deco), but full-blown continental Modernism passed Britain by, except in the worlds of furniture design, household appliances and architecture.

Yet many of these self-same designers, like Morris before them, were strongly possessed by the idea of design as a democratising force. By making "good design" more widely available, they felt, there would be an improvement in living standards and a levelling effect between social classes. No matter if their writing style, as exemplified by several 1946 exhibits was usually didactic and often downright patronising.

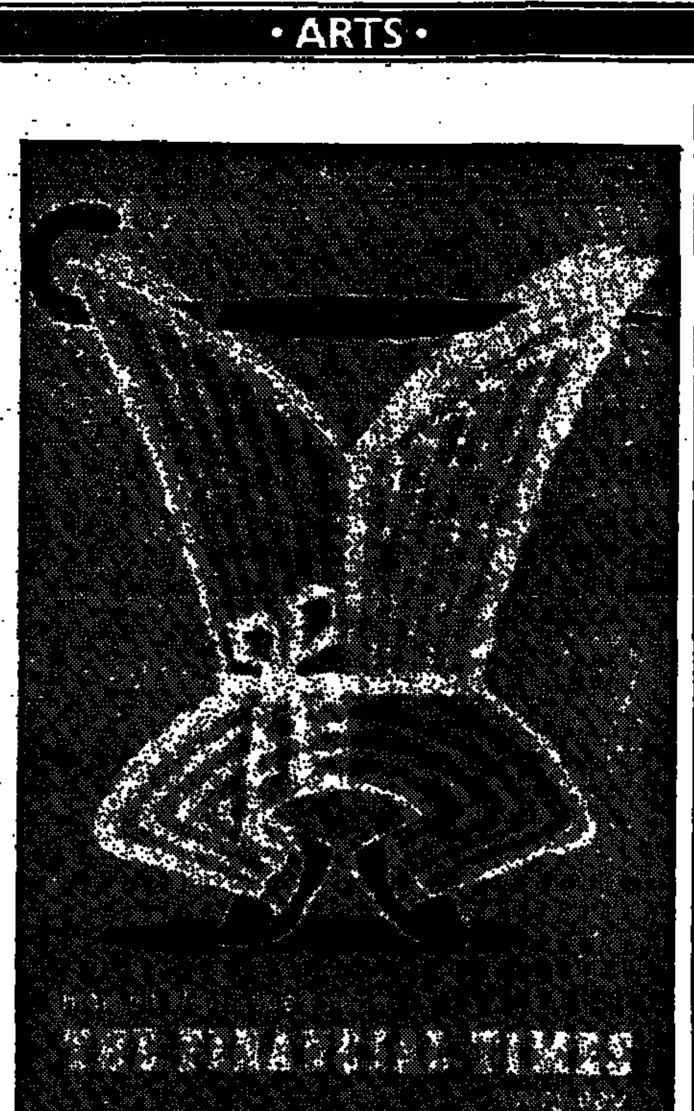
Today, discussion about the social virtues of design takes a poor second place in designers' minds, and in official promotion campaigns, to the overriding notion of "design for profit." Commercialism is all—well, almost all.

This sea-change in general design theory and practice is explored in the book, as are the changes since 1946 in some (though not all) of the specialised fields it covers; it is particularly good on textile design, fashion, retailing and design consultancy.

Though most of the RCA exhibition is taken up with 1946 objects, it also provides some contrasting 1986 designs of appliances, transport equipment, fabrics and other products. But it fails adequately to explain the changes, except in terms of shifting industry structures. Penny Sparke, the RCA organiser, who also edited the book, intentionally eschewed much discussion of changing style and theories, but a smattering of both would have helped the lay visitor make a more intelligent interpretation of the objects in what is otherwise a fascinating exhibition.

Make or Break runs at the RCA's Henry Moore Gallery until October 24, and from November 8-December 7 at Manchester City Art Gallery. Did Britain Make It? edited by Penny Sparke is published by the Design Council, price £11.95.

Christopher Lorenz



Abram Games' 1958 poster for the FT. So strong had been the post-war atmosphere of social utopianism that until a few years earlier he and other leading graphic designers had been working mainly for public campaigns and organisations, rather than for commercial enterprises.

Broadway maladies

WITH AMERICANS failing to fill London theatre seats this summer, enterprising British productions have come to New York instead, giving a healthy start to the new Broadway season.

Me and My Girl has astounded expectations by opening to rave reviews—encomia for Robert Lindsay to rank with Henry Irving's American tours—and a huge box office advance sale of $1.1m. The revival of *Nicholas Nickleby*, a relaxed, self-conscious remake of the original five years ago, boasts $100 seats for the eight and a half hour production. (Unfortunately, ballyhoo and rave reviews have not been matched by a box office stampede and the planned 14-week season closes in two or three weeks time.) Rowan Atkinson comes to Broadway in October through impresario Arthur Cantor, who is raising money by public solicitation.

The general euphoria could be brief, as it was for another August opening, *Rags*, a $5.3m musical about Jewish immigrants at the turn of the century. *Rags* closed within a week of opening. The producers, for the first time ever, announced plans to raise more money and revise it in order to rescue the admired talents of its star, Teresa Stratas, the opera singer and the tuneful music of Charles Strouse. But a week later the effort was abandoned.

Theatre-goers share the long-odds optimism of the *Rags* producers in hoping for a turnaround in Broadway's fortunes. For the past three seasons most new shows tended to open just before the Tony awards in May; any show still open when the awards were given had a good chance of walking off with one or two. A healthy beginning to a season is a novelty, adding to hopes that the three-year lull is over—especially as Broadway's good times tend to coincide with a general economic downturn.

But even a successful 1986-87 season is unlikely to equal the good old days when—as the title of one of critic Walter Kerr's books put it—*Thirty Plays Has November*. No Broadway openings are scheduled for September and only 16 by the end of the year, half-way through the season.

So precipitous has the drop in Broadway's fortunes been that there will be mild pleasure if the whole season produces as many openings as Mr Kerr expected for a single month. Last season there were only 33 Broadway openings; up from 30 the previous season, but fewer than half the 59 productions in 1975-1976.

The cause of Broadway's decline elicits frequent finger-pointing. The League of American Theatres and Producers countered a widely held assumption that, at a $45 top price (excepting $47.50 for *La Cage aux Folles*) musical ticket prices were too high, with a survey showing that theatre-goers were not deterred from seeing what they want at that price.

The problem is that people will spend so much only for smash hits. Now, almost half the total number of seats sold go to out-of-towners who come to New York armed with the titles of only one or two plays. *Cats* remains one of the few sell-outs, season-in, season-out, since opening in October, 1982.

Potential playwrights have more opportunity, less risk and in-built demand working on films and television. Broadway producers have given up trying to second-guess the small number of influential theatre reviewers, while complaining about the prices charged for listing their shows in newspaper theatre guides. "The television networks don't pay for their programme listing," the producer Morton Gottlieb notes; a frequently-aired complaint. Even the half-price tickets booth, selling seats which might otherwise go begging, gets its share of blame: producers are said to hike prices up in order to get a decent *half-price!*

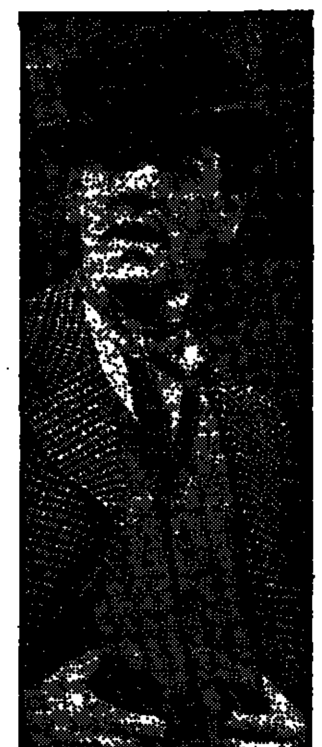
A sign of compromise emerges from negotiations with Actors Equity, which, according to its executive secretary, Alan Eisenberg, "went along with the industry standard" by following the stage hands' negotiations last year in an agreement not to raise salaries in the first year of the three-year pact. "Our major concern is employment," Eisenberg says, noting that Broadway no longer employs the greater proportion of Equity actors; regional theatres do.

Producers have begun to control costs by redividing the profit pool and concentrating on cheaper one or two-role productions. Such efforts have not inspired a spate of new plays; most productions now are revivals or imports. Even American playwrights like David Mamet are bringing plays to America after opening them in Britain.

Off-Broadway ticket prices have risen almost to Broadway levels, with top prices for musicals reaching $27.50. The Shubert Organisation, owner of half Broadway's houses, found its off-Broadway investment profitable with *Little Shop of Horrors*, and has encouraged a trend to long-running productions.

Ironically, while most Broadway houses stand empty, off-Broadway venues periodically fill up. Pessimists have been better at guessing Broadway's prospects; optimists note that there is nothing that a good new play or two cannot fix, at least for a while.

Frank Lipsius



Robert Lindsay: US success to match Henry Irving

Paradoxes of the industrial north

PARADOXICALLY, theatrical vitality in the north-west increases with economic depression. Currently Manchester and Oldham are staging a 1916 comedy and a grim slice of the Thirties slump respectively. To underline further the cheerful paradoxes of the north, the half-starved girl gratefully receives leavings smuggled from the table of the well-to-do in the comedy; while the depression play features a dotty grandfather, a lay (in all senses if he had the chance, one feels) preacher who quotes the Song of Solomon with more relish than is quite seemly.

Oldham's lively and friendly Coliseum has revived the 1935 play that the journalist J. L. Hodson made from his novel *Harvest in the North*. Local pride is evident in Bury-born Hodson whose papers (81 boxes) in Manchester Library illuminate the background to his work, and who based the stricken cotton community of Chesterford on Oldham. The originator of the World War I story that inspired *King and Country*, now playing coincidentally at Greenwich, Hodson was no born playwright. *Harvest's* jerky rhythms just escape the episodic and are certainly loose-knit. The piece could be tighter, tauter and more compact.

That said, a straightforward honesty redeems all: a reporter speaking as he finds, not a man of the theatre creating art or a polemicist setting up conflicts. Phil Swift's aptly dingy living-room set includes cherished piano and filthy breadbin, the sink and kitchen range dominated by the looming shape of the war memorial, a constant reminder of the son who never came back.

John Retallack's régime obviously enjoys high standards. His production opens to the repetitive rumble, rattle and thump of looms, as shadowy figures parade like dehumanised statistics upstage. Firmly depicted naturalism—Steve Halliwell's unemployed Sam in an apron interrupts his bread-making to lend an out-of-work male neighbour rice to make a pudding—is pressed into service for rather too many messages (we could do with more of the unions' attitude to women workers doing the men out of jobs, or the Means Test that decimated the dole for those households where one member might be working).

Self-conscious "human interest"—a brutal wife-beater's assault on his step-daughter, or grandfather's descent into madness—looks more contrived. But the final speech where Sam's wife directly addresses the audience, an unrancorous reproach to the nice people "just like us" in the prosperous south who simply don't know what things are like, is all the more moving for its avoidance of overt politicising, its positive, broad-based humanity fascinatingly echoing traditional working class conservatism. Fenella Norman blazed away to powerful effect, evidently overcome at the curtain call. The strong company continues the season with more variations on local life: *Love on the Dole* next month, *Spring and Port Wine* in November.

In Manchester, 20 minutes train-ride away, Harold Brighouse returns to the building where he once worked in cotton. Or rather his comedy *Zack* is revived by the Royal Exchange Theatre who had a success with it 10 years ago.

Surprisingly premiered in America, the play is as proudly and unforcedly local as you would expect from the author of *Hobson's Choice*. Written in 1916 but set a decade earlier (no mention of war in this oasis of Edwardian domestic drollery and intrigue), on paper the Cinderella story of the victimised brother, a lovable buffoon who finds self-confidence, popularity and a rich wife, looks undernourished to the point of anorexia. But Brighouse knew his Lancashire rhythms, and lines that look flat leap to life when uttered to the manner born before an audience of Mancunians.

James Maxwell's production is broad in style, with a vehemence that forces a strong cast to gesticulate and shout.

As the skinflint elder brother John Flanagan almost indulges in a funny walk as he wavers on the farcical edge; but the pivotal relationship between thin-lipped mother (Bridget Turner, beautifully unexaggerated) and humble drudge of a son survives. Tim Healy, from television's *Auf Wiedersehen Pet*, charges on like a TV comic and is soon clownishly swilling tea from his saucer, but spaniel eyes, endearing dumpiness and a knowledge (unlike some others) of when not to yell bespeak a performance of restraint and charm.

David Millard's set has some nicer pieces than this joylessly thrifty household might warrant, but suitably frames good playing from, among others, Sara Richardson (very positive and calculating as the whey-faced whinger palmed off on the nasty brother), Karen Drury's sensible and attractive rich cousin and Karen Henthorn's confidently pert maid—an actress to watch.

Martin Hoyle

After "Auf Wiedersehen": Tim Healy with Sara Richardson in Harold Brighouse's "Zack"

Records

Stan, Stan, piano man

DURING HIS many years as a leading figure in British jazz, pianist/composer Stan Tracey has led groups of varying sizes, from a duo to a full-scale big band. One of his latest ventures is Hexad which, as the name implies, is a "six" group—six musicians and, on its initial album, *Live at Ronnie Scott's* (Steam, SJ 113), six compositions, all by the six-lettered Tracey.

Though virtually a veteran in jazz terms, Tracey has never been content to stand still musically. This is strongly underlined in his compositions and in his bands which have a stimulating mixture of young lions and experienced cats. The former on this recording are the outstanding altoist Jamie Talbot, trumpeter Guy Barker and Tracey's own son, Clark, on drums.

Talbot has several commanding solos, notably on "The Bandit Chapter" and "Molto Allegretto" (its pace signifies it should indeed be "Molto" Allegretto!) and in places displays no little wit. Guy Barker, generally noted as a fast technician, shows his calmer side in the medium-paced opener "Funky-Day in Tiger Bay."

Clark Tracey underlines and accents intelligently throughout. But it is father Stan's themes which are the inspiration. There is a depth in construction which secures listener attention, whether it be "The Sidewinder"-like tempo of "Arcades" or the Mingus-like intensity of "Metro Allegretto." For my taste, though, Stan the piano man does not solo enough on the tracks.

Another firmly established pianist/composer and also constant encourager of young talent, is Mike Westbrook who, since arriving in London from Plymouth in the early 1960s, has been involved in a multiplicity of ventures which have marked him the most prolific composer in the jazz idiom in Britain as well as one of the leading figures in mixed media events.

His latest in the latter field is a project with Extemporary Dance which has been touring the country since early this year. In this The Perides, the nine muses of ancient Greece, have become *Pier Rides* in the Westbrook / Emilyn Claid (choreographer) collaboration, the music from which is on Westbrook Music, WMLP 1.

Westbrook explains that the muses have been re-created in a series of end-of-the-pier turns but devotees of this traditional seaside entertainment will look in vain, on the record at least, for anything redolent of soubrettes, inept comedians or forced jollity.

The concept has given Westbrook the writer plenty of scope for many moods and themes, niftily conveyed instrumentally by just Westbrook, on piano and tuba, and two younger musicians, guitarist Brian Godding, who uses his guitar synthesizer in a positive, creative, not disturbing, manner, and saxist Peter Whyman. Four sections have words written by and delivered dramatically by Kate Westbrook. Unclassically minded jazzers may find, however, that the most captivating track of the 11 is the fetching version of the familiar "Air Mail Special" mysteriously linked by the Westbrooks, with Thalia, goddess of comedy.

More lions and cats on the first release from Miles Music, a label conceived by John Miles, son of the Mermaid's Lord Bernard, with the fixed and laudable intention of recording British jazzmen. The debut LP, *Straight Eight* (Miles Music, MM 001) mixes five old and young musicians and, as with the previous releases mentioned, the mixture is an unqualified success.

Here the master is Tommy Whittle, representing the established lyrical school of tenor-saxophonists. With him front of the class is youngster Alan Barnes, a chirpy alto-saxophonist and clarinettist. The album's nine tracks are a mixture of jazz standards and originals by Barnes and pianist Mick Pyne. This is not a boring blowing session with everyone soloing every tune. Whittle and Barnes hold the main interest, though the former with two outstanding ballad workouts on "Goodbye" and "That's All," his light-as-a-feather touch and tonal beauty at their most engaging.

Barnes fits in comfortably with his senior. His is a more aggressive approach and none the worse for that.

★

Apart from Stephane Grappelli, French jazz musicians are barely known in Britain, even among enthusiasts. A sad state of affairs for French jazz has some outstanding talents. More than most countries perhaps, France is heavily influenced by American jazz so it is not surprising that what seems to be the first serious re-creation of the famed John Kirby sextet—"The Biggest Little Band in the Land" was its appellation—comes from France.

Alto-saxist Claude Tissendier leads a tight-sounding, easy swinging sextet which follows closely the instantly recognisable style of the group bassist Kirby led with much success in the late 1930s. Tissendier and his five young colleagues in their *Tribute to John Kirby* (IDA, Ida 006) perpetuate the sound and style with ten items from the band's repertoire plus one written by Tissendier's trumpeter, Michel Delakian. The Frenchmen do not slavishly copy the Kirby sidemen's solos, only the spirit of their music. Tissendier himself is a bouncy, liquid altoist, evoking the Kirby sextet's Russell Procope while pianist Bernard Rabaud has some exciting workouts, notably on the opener, "Beethoven Riffs On," based on Ludwig van's Seventh Symphony.

The drumming of Francois Laudet is not as supple as that of the matchless O'Neil Spencer but comparisons are irrelevant. The spirit and zest of the originators is what matters and M. Tissendier and his players capture that quite effortlessly.

Kevin Henriques

Solution to Chess No. 637

1-P-B5. If 1...P-Q7; 2 K-B4, P=Q; 3 N-Q6 mate. If 1...KxN; 2 B-B3 ch, P-K5; 3 P-B4 mate.

Saleroom

A day in the country

AUCTIONEERS love country house sales—they know potential bidders will have a rush of blood to the head and pay extravagant prices for quite nondescript items. Perhaps it is the novelty of a sale held in a marquee on the lawn or the ballroom of a grand house; perhaps it is the diversity of the objects on offer. Old Master paintings being followed to the rostrum by antique lawn mowers or tool racks; perhaps it is the sight of the owner of the house wistfully watching as the family home disappears around him; perhaps it is the fact that contents have a known pedigree and bear the provenance of an old and famous name. Whatever the reason, for all the extra effort and expense they entail, house sales invariably do well at the box office. Or so the story goes.

Later this month both Christie's and Sotheby's have the opportunity to test the theory. On September 22 and 23 Christie's is selling the contents of Callaly Castle, near Alnwick in Northumberland, the family home of one of that county's great characters, Major Simon Browne. It should bring in around £1m.

The next day at Mount Juliet in County Kilkenny, Eire, Major Victor McCalmont is disposing, through Sotheby's, of the contents of the ballroom of his 18th century mansion, plus additional silver and porcelain from his collection. All told he should be over £500,000 richer at the end of the day.

Neither sale contains a masterpiece that would raise an appreciative eyebrow in a London auction room but both are heavy with the scent of rural life. Major Browne, now a lively 91, hunted until he was 80. Not surprisingly there were plenty of sporting pictures decorating the walls of his vast, mainly 18th century mansion. Most are routine but a pair by Sartorius, showing the hounds in full cry, should top £12,000 and another pair by John

stock, could make £15,000. More interesting is a screen with 12 hunting scenes by John Arnold Wheeler Snr, which could well find its way to the US in return for £20,000.

A personal memento of the hunt is a pair of late Victorian easy armchairs designed by the Major Browne of the day with an unusually deep seat into which he could flop after a day on the chase while a servant removed his hunting boots. Some of the family's successes came home with them and the sale includes a polar bear skin which might make £400 and a worn leopard's skin carrying a £10 top estimate.

Mount Juliet's paintings are particularly disappointing since this is the home of two of Eire's leading studs, the Ballylinch and the Norelands. Once again there is a Sartorius and a John Frederick Herring, this time Snr. His 1839 portrait of the St Leger winner Don John carries a £35,000 top estimate. There are better pictures at Mount Juliet (including works by Marshall and Munnings) but it is hoped that they will go with the house and the 1,500 acre estate, which is also for sale.

Callaly is also seeking a new owner—or rather owners. For the last millennium only three families have occupied the site but the cost of shoring up the house, estimated at £5,000 a year, has persuaded the Major to sell it. But not to move away.

Kit Martin is to convert the house into around a dozen separate residences in the pattern he has established at Cullen House, Gunton Park and elsewhere. The largest unit, occupying the principal wing, will be the home of Major Browne. It will include the famous stucco saloon constructed by Italian "stuccadori" in the 18th century. The other distinctive feature of Callaly, the late 19th century glass-roofed interior pavilion with its fountain will be shared by all the new house owners.

Perhaps some of them will be bidding at the auction for such curiosities as the late 19th century electrical fittings with their silk shades (Callaly was the third house in Britain to be fitted for electricity); the mahogany butler's trays; the Victorian oak gong; and the grey teddy bear (estimate £5-£10). If they feel particularly affluent they might risk a bid on a couple of delightful genre paintings of a century ago which are in marked contrast to the healthy out-door atmosphere generated by the other contents. The pair, by Frank Hyde, show an artist's studio visited by a Victorian family, including a young Etonian. He is obviously learning a great deal from the unclothed young model before being disturbed by his grandmother.

Antony Thorncroft

Radio

Hitler's blue-eyed blondes

THE LEBENSBORN Society was part of the batty Nazi obsession with a master-race. Blonde, blue-eyed children with the right statistics were brought to special maternity homes to be brought up by suitably Nazi-oriented staff. Sometimes they were brought in from occupied territories. They were not, apparently, ill-treated, but there is little information about what went on, as all the relevant documents were destroyed on the approach of the Allied armies at the end of the war.

Peter Tegel's play *The Well of Life* is basically a documentary telling what life inside such a home was like. It was last Monday's evening play, but as a play it suffered from lack of drama. Mr Tegel invented a mysterious press photographer who had the name of one of the children who had last been seen dancing among the flames of the burning documents. ("Did we ever know where she would spring from next?" is his intro-

sounds as if it had been written by one of the alien children.) He also invented an assistant director with undisciplined sexual desires. Neither of these supplied him with a plot, and we were left with an account of the children's experiences.

As a documentary, then, it was interesting enough; though it was more concerned with historical report than with the lives of the children. If there is any point in bringing up an account of this curious enterprise, which did not apparently involve any great cruelty apart from the actual snatching of the children, I would have thought a full-scale documentary would have been more appropriate. One of the children in Mr

"only to know who I was." *The Well of Life* is not the kind of piece to help her. It may be heard again this afternoon.

A more immediate racial problem was involved in Tuesday morning's play *Friends*, by Lakhviar Singh, but this did not throw much more light on its chosen situation either. When Roly's son comes home from school crying after a fight with his Best Friend, Roly remembers his fights with his Best Friend, who was an Indian boy called Ama. School a generation back sounded much like school today, and Ama sounded much like any other Birmingham kid.

Lakhviar Singh, who is a Sikh, has not gone beyond a handful of little sketches of

where Roly is invited into Ama's home and has an alarming confrontation with Ama's father. What interested me in this scene was that Ama, played by James Neale Kennerley, spoke "Indian" as fluently as he spoke Birmingham. Why it was needful to surround Roly's school-scenes with his son's problems was not clear; no relationship was illustrated in the play, and indeed the son barely existed dramatically.

Another instance of Anglo-Oriental contact was given in *Dearest Auntie Maud* on Tuesday afternoon. In this, Muriel Shepherd's letters home in the 1930s from Java are read by Ingrid Craigie, and after each letter Murel Shepherd of our own time talks about that life

with Robert Prizeman. I hate to say it, but the young Mrs Shepherd encapsulated all that most of us nowadays find tiresome about colonial life half a century ago. The older Mrs Shepherd was much nicer.

A last dip into the week's plays gives me *An Opinion Poll* by Jean Lessay, translated from the French by Peter Meyer. This is one of those park-bench encounters between two strangers, who enter into talk with unexpected conclusions. The talk between Dusol and Lesort (Frank Finlay and Nickolas Grace) soon enters the region of "Do you recognise yourself in everything you do?" and so leads to a new-found distrust of his wife on Dusol's part. I thought it would be as interesting as Duras's *Le Square*, a similar confection, but the truth was it was hardly interesting at all. I stayed with it for the sensitive playing of the actors. Glyn Dearman was the director.

B. A. Young

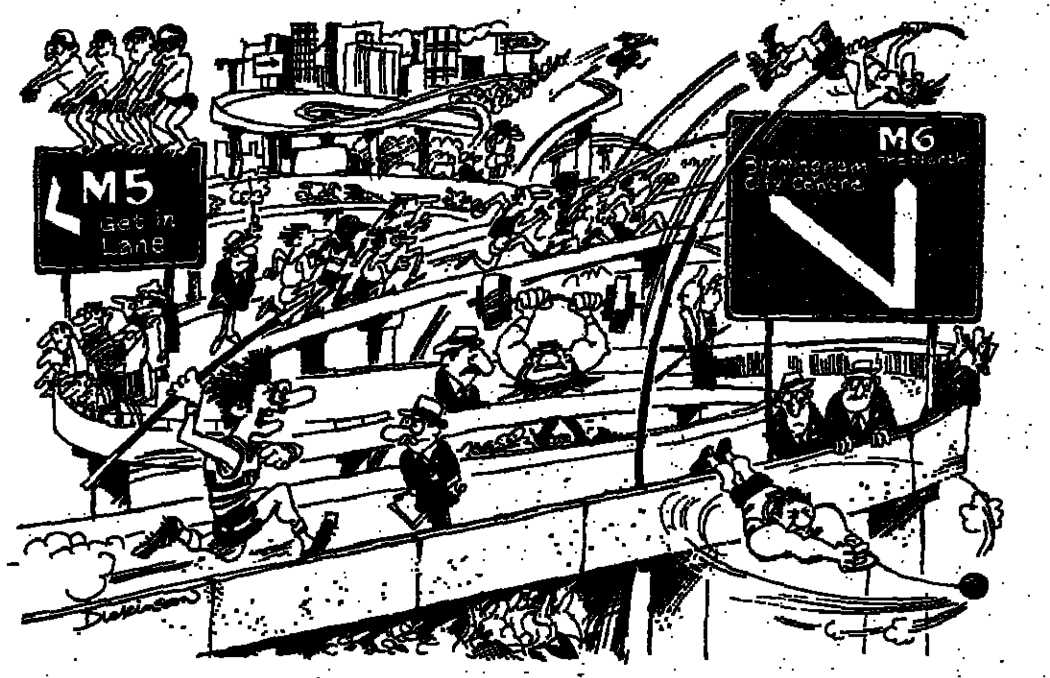
WEEKEND FT

SPORT

We are in Birmingham, in England's industrial heartland—eavesdropping on an interview between a Prominent Midlands Figure (PMF) and a Belligerent American Sportswriter (BAS). They are discussing Birmingham's bid to stage the 1992 summer Olympics, on which the International Olympic Committee will rule on October 17. PMF wields great influence with the Birmingham Olympic Council, whose members include Denis Howell, Sir Adrian Cadbury, Harold Musgrove, Mary Peters, Ann Jones, and Mrs E. Ackers. PMF is in his mid-60s. As usual, he is wearing a grey woollen suit and a white carnation. His interrogator is a 28-year-old columnist from a major California newspaper. As usual, BAS is wearing a *bulky cream outfit bought at Parachute* and yellow moccasins. The interview has reached a delicate stage...

Michael Thompson-Noel on Birmingham's burning desire for the Olympics

If at first you don't succeed...



BAS: Tell me about the Commonwealth Games, which ended in fiasco and a multi-million loss. How will they affect your bid for the Olympics?

PMF: Now let's get this straight. Scotland's a long way from Birmingham. It's fair to say there were hitches up in Edinburgh, plus a bit of a boycott and a certain amount of rain. Their planning was fairly daft, what with 48 committees. But leaving that aside, British organisation has been famous down the ages. There are no wallies in Birmingham. What we're *telling* the IOC is that we may break even but that with good management and a fair go from the media we'll produce a substantial profit for the greater good of all.

Tell me about last year's Handsworth race riot. I bet that grabbed the IOC. How will you cope with security for the Olympics? Take me through the game plan.

Let me say this. The IOC members are not looking for negatives. They're positive, like us. We've had one riot in Birmingham, but it was a drugs-based business, nothing to do with race. Usually our race relations are excellent. This is a peace-loving city.

But how's about security?

Look at the wall there. See that map? That's Birmingham's Olympic City. For a start you've got the NEC — National Exhibition Centre — for the indoor sports, plus a state-of-the-art, purpose-built Olympic stadium seating 75,000 and a special Olympic village of 2,500 mobile chalet homes. Plus the airport nearby, the railway, a VIP hotel, car parks, helicopter pad, and a media centre for 8,000 — all within security screens of fencing, police, guards, and back-up army units. West Midlands police have already held a seminar with the Los Angeles police. In a nutshell, up to 15,000 Olympians will be enfolded within a security blanket that provides complete freedom inside.

This is what makes our bid so exceptional — its totality and compactness. It's such a classic site that we've had the temerity to call it Olympic City. Never has a Games provided such freedom for the athletes, for sealed into Olympic City will be a lifestyle in itself. As we say in our literature: 'We're going to give the Games back to the athletes.'

Is that because Birmingham's so awful that you won't dare let them out?

Let me tell you this. I don't know where you hail from — Palm Springs — but *Birmingham's* used to taking knocks. It doesn't worry us. We're a piece of living history.

But the place is totally tacky. There's nothing in the middle of it but fast-food joints and some really heavy freeways. It's decaying and dirty and—

—You don't frighten me. We've got enough bolshie media men of our own down in London to run a large foundry. Do they ever get off their bottoms, or discover the real Birmingham? Do any of you know that Birmingham was settled in the seventh century, or that 1,000 years later it was the "city of 1,200 trades . . . a huge forge, a vast shop." We made the Mini. We invented tennis. We produced Led Zeppelin and Duran Duran. We've got more miles of canal than Venice.

But it's still a dump.

Do you write for Rupert Murdoch?

Of course I don't.

I'm pleased to hear it. But let me tell you this. Members of the IOC have been assured that when the Games are held in Birmingham they will be truly outstanding. There'll be gala concerts in Birmingham Town Hall and Coventry Cathedral. The Royal Shakespeare Company is just down the road. There'll be opera and ballet and a first-class offering at Birmingham Rep. For the media, British Telecom will guarantee that our Olympics are a stunning success. As for transport, between 30m and 40m people are able to reach Birmingham by road or rail in less than three hours.

It's this accessibility that has supported the growth of first-rate facilities. The 250,000 spectators who will be in the Birmingham area on a typical Olympic day will be encouraged to make maximum use of public transport. We've got wonderful corporation buses. In short, there are no major transport or infrastructural features which need to be implemented to cater for the Games. It's all there already. There's not a city in the world that can match us on that.

But you're building something?

Indeed we are. Our basic estimates allow for gross costs of $700m, including $265m for all capital costs. The largest single item is the Main Stadium, at $133m. Other new facilities will cost $34m, including the swimming centre and the covered velodrome. The Olympic village? Say $80m. All up, we're looking for a final figure of somewhere between break-even and a profit of $200m. Birmingham City Council is superbly well equipped to act as host, and will establish a strong Organising Committee to manage the Games.

Where will you find another Ueberroth?

A very good question. Peter Ueberroth worked wonders for Los Angeles. But we're not mounting a one-man Games. Certainly we're looking for a powerful figure—an outstanding businessman with a great love of sport and his finger on the pulse—but he won't stand alone.

What about your rivals — the other contending cities? How can you put yourselves in the same league as gay Paree, for heaven's sake, or sexy Amsterdam, or Barcelona, or . . .

. . . All right! All right! One at a time, please. Paris, in our view, has an attitude problem. It's a wonderful city. But it *expects* the Games. Too cocky by half, in our opinion. Amsterdam? I like the Dutch. But there's the drugs and pornography. Barcelona? The Games have never been to Spain, and it's certainly the favourite. But their sites are hopeless. Mind you, in six years you can do a lot of building — by the grace of ETA. Belgrade? We think they're putting down a marker. Brisbane? They're nicely Anglo-Saxon. Lots of rum and decadence, and it's a good *compact* bid. But it's a dozy market town, a bit like Shrewsbury. Barcelona's favourite; I'll grant you that. But Birmingham's close behind.

How's the money rolling in?

Disappointingly. We've lost our entrepreneurial spirit in this country, and the media doesn't help: always knocking us, running down the Bull Ring, carping and criticising.

Suppose you lose on October 17. Will you try again?

Of course we will. Did you know that in 1612 a Norfolk-born lawyer, Robert Dover, founded the Cotswold Olimpick Games at Chipping Camden, only 35 miles from the centre of modern Birmingham? Or that Baron Pierre de Coubertin derived his inspiration from the Much Wenlock Olympian Games, staged in Shropshire, which celebrated their centenary in July 1986? We'll keep on trying. There's 1996, and then 2000 . . . 2004, 2008. It'll come full circle.

My Secretary will see you out.

It may be *le fair-play.* But is it cricket? asks **Peter Gillman**

French eye a date at Lord's

AN IMPROBABLE meeting is due to take place at the British Embassy in Paris tomorrow. After being opened by the British Ambassador, John Fretwell, it will plan the next move in an audacious campaign to see *France become a member of the* International Cricket Conference and thereby take its place alongside such giants of the sport as England, Australia and the West Indies.

At first, the phrase "French cricket" appears a contradiction in terms. How can the country with such ambivalent attitudes towards its cross-Channel neighbour pursue a game which represents the most stubbornly *eccentric aspects of the English* character.

France cannot, in the immortal words of John McEnroe, be serious. Far better, you might think, to allow French cricket—a title with its own hint of mockery—to remain as it is: a children's game, the object of which is to *hit* the batsman's legs with a tennis ball.

In fact, in outposts across France this summer, the genuine article was being played *by teams composed of both ex*patriates and Frenchmen. The most serious matches are in Paris, where players from the English first-class game surface occasionally. It can be seen at its more typical in the southwest where teams from Bordeaux, *Toulouse* and the *Dordogne* towns of Eymet and St Aulaye compete on pitches ranging from the lush turf of a local chateau to Eymet's rugby stadium, laid with strips of coconut matting.

There also are two entirely French sides, from Chauny and St Quentin in Picardy, which have just played each other—the nation's first match without a single Englishman taking part.

It is these teams, headed by the Standard Athletic Club of Paris, which have launched the bid to join the ICC. Their first aim is to become an affiliate member, ranking them with Italy and Switzerland on the bottom rung of world cricket. From there, they would hope to progress to associate status *alongside nations* like Zimbabwe, Denmark and Argentina who play in the qualifying rounds of cricket's four-yearly World Cup.

If they won that, they could join the seven full ICC members—England, Australia, New Zealand, India, Pakistan, Sri Lanka and the West Indies—in the contest proper. (Zimbabwe has taken the spare place available in India in 1987, allowing France its *first chance* for 1991).

The French cricketers have already made one application to Lord's. Jack Bailey, secretary of both the MCC and the ICC, replied that while he was "personally certain that everything possible should be done to encourage the furtherance of the game in France," the ICC needed evidence of "an association of French clubs" if they were to be accepted. Tomorrow's meeting in Paris will almost certainly form such a body.

That detail apart, the French cricketers have assembled a *formidable* set of arguments to support their cause. They include documents showing that cricket has been played in France for more than 120 years, as proved by an engraving published in 1864 depicting "*une grande partie de cricket au Bois de Bologne.*" *The hub of their* case is a dossier compiled by Ian Scully, chairman of the cricket section of the Standard Athletic Club. He contends that, far from being *parvenus* in world cricket, France is actually the Olympic silver-medal holder in the sport.

This breath-taking claim is based on a *long-lost* episode of Olympic history. During the Paris Olympics in 1900 England and France, represented by the Devon County Wanderers and a so-called All Paris team, played a 12-a-side contest over two days at the Vincennes *velodrome. After a game inter*rupted by rain — an essential component of any cricket match — Devon won by 158 runs with just five minutes to spare.

However, confusion has long surrounded the status of both that match and the entire *Paris Olympics. Many of the* contestants believed they were taking part in the 1900 Paris International Exhibition, staged at the same time.

In 1912 the Games' ruling body, the International Olympic Committee, declared the cricket match to have been an official event. Sports historians have nonetheless remained unsure if it really counted and, Scully says, it is this "central and crucial issue which needs to be comprehensively addressed."

Drawing on research by a sport historian, David Terry, the dossier establishes that cricket was scheduled to be played at the first modern Olympic Games in Athens in 1896 — thereby showing, in Scully's view, that the IOC viewed cricket as a legitimate Olympic event. (Sadly, no match took place in Athens, for the compelling *reason* that no one entered.)

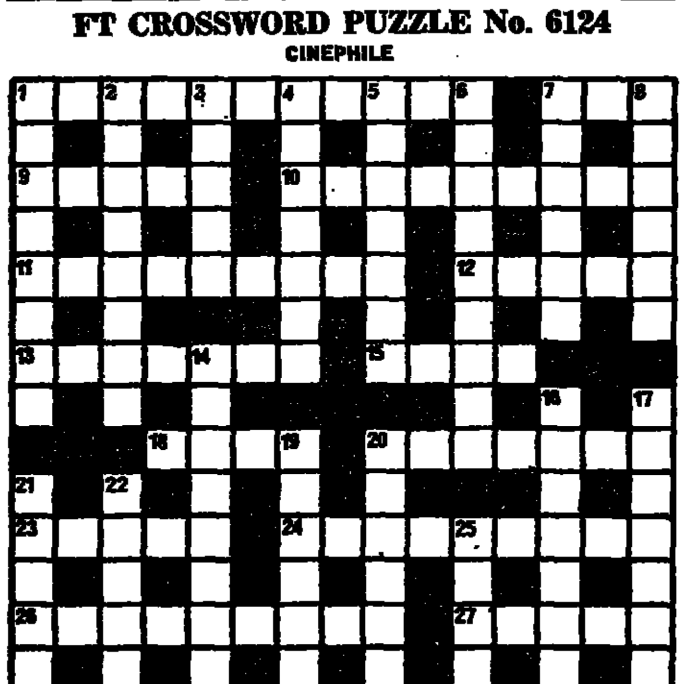
Scully concludes firmly that the Paris match *was* official, and that France thereby rank second to the reigning Olympic champions, England. It is also implicit in his argument that it is *high time France's historic* status was accepted.

At Lord's, the headquarters of world cricket, the ICC is holding itself in readiness for the French bid. "One welcomes it," says Michael Mence, the ICC's assistant secretary.

Since the term *le fair-play* has already entered the Gallic lexicon, who can doubt that France is endowed with precisely the right spirit to play the game?

FT CROSSWORD PUZZLE No. 6124

CINEPHILE



Prizes of £10 each for the first five correct solutions opened. Solutions, to be received by next Thursday, marked Crossword on the envelope, to The Financial Times, 10 Cannon Street, London EC4P 4BY. Solution next Saturday.

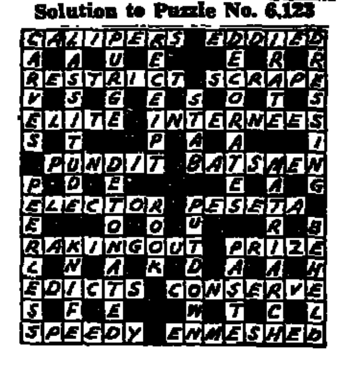
ACROSS

1, 7 High and holy place? Not to burglary's exponent (11, 3)
9 Attractive hooter? (5)
10 Eggs broken outside Italian city, making a sign (9)
11 Painting of lost dream? (3, 6)
12 Divide by 5 in healthy surroundings (5)
13 Wet blanket for king first—jolly awkward! (4-3)
15, 18 Where to get drink and food, we hear, with good manners (4-4)
20 Like a pipe, brutal upper-class variety (7)
23 Looter's weapon? (5)
24 Smell of cheap paper in country (9)
26 Forestry arranged by Watford company (9)
27 Melba's Christian name? (5)
28, 29 Bed-warmer trouble met with courage (3, 5, 6)

DOWN

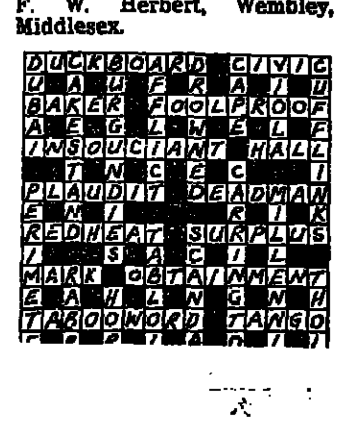
1 German enquiries about trouble arising in fuel plant (8)
2 Dog exposed to drink (8)
3 An insect raised in African port (5)
4 Chivalrous sound every time it's dark (7)
5 Drive out, perhaps, in the company of the United Nations (7)
6 Junior group of solvers with hot and cold left in bath (5, 4)
7 Catch out the French, catch out the French, catch out the French (6)
8 Rough carpeted? (6)
14 Garment to frighten island beast (6, 3)
16 Deception by striker, myopic type (5, 3)
17 Showing royalty loyalty (4, 4)
19 Disloyal person's characteristic, taking gold (7)
21 Note worth changing for expansion (6)
22 Try to get some beef for tea (6)
25 Sheep to peep at macho type? (5)

Solution to Puzzle No. 6,123



SOLUTION AND WINNERS OF PUZZLE No. 6,118

Mrs D. E. Ward, Letchworth, Herts; Elizabeth Riddell, Farnham Common, Bucks; Mrs S. K. Parton, Wellington, Shropshire; Mrs Nancy Macleod, York; Mr F. W. Herbert, Wembley, Middlesex.



TELEVISION AND RADIO

SATURDAY

† Indicates programme in black and white

BBC 1

8.30 am The Clangers. 8.40 The Family-Ness. 8.45 The Saturday Picture Show. 11.00 Film: "Battle Beneath the Earth" starring Peter Arne with Kerwin Mathews. 12.30 pm Grandstand featuring 1.00 News; Golf: (The Panasonic European Open); Canoeing (World Championship); Racing from Goodwood; Rallying (World Championship: The 1000 Lakes); Football 'Focus' and 'Final Score' at 4.40. 5.05 News. 5.15 Regional programmes. 5.20 Roland Rat—The Series.

5.45 Doctor Who. 6.10 The Noel Edmonds Late Late Breakfast Show. 7.00 Every Second Counts. 7.30 The Russ Abbot Show. 8.00 Casualty. 8.50 Last Night of the Proms (simultaneous broadcast with Radio 3). 10.00 News and Sport. 10.15 Blott on the Landscape. 11.10 Film: "In The Heat of the Night" starring Rod Steiger and Sidney Poitier.

BBC 2

11.55 pm Film: "Inherit The Wind" starring Spencer Tracy, Fredric March and Gene Kelly. 3.55 Laramie. 4.45 Film: "Broken Lance" starring Spencer Tracy. 6.20 World Chess Report. 6.50 Newsview. 7.30 Last Night of the Proms (the broadcast is being shared by Radio 3). 8.30 Roald Dahl—The Big Friendly Giant. †8.55 Film: "Casablanca" starring Humphrey Bogart and Ingrid Bergman. 10.35 Jack High. 11.05-12.45 am Film: "The Masque of the Red Death" starring Vincent Price.

LONDON

6.55 am TV-am Breakfast Programme. 9.25 Get Fresh! 11.30 Punky Brewster. 12.00 News. 12.05 pm Saint and Greavsie. 12.30 Wrestling. 1.20 Airwolf. 2.15 The Cuckoo Waltz. 2.45 Athletics—The GRE Cubs Cup Final. 4.45 Results Service. 5.00 News. 5.05 Blockbusters. 5.35 The A-Team. 6.30 Blind Date. 7.15 Copy Cats. 7.45 3-2-1. 8.45 News. 9.00 Dempsey and Makepeace. 10.00 LWT News Headlines followed by Movie Premiere: "Psycho II" starring Anthony Perkins. 12.10 Bliss in Concert. 12.35 Girls of Paris. 1.35 Night Thoughts.

CHANNEL 4

1.15 pm Channel 4 Racing from Doncaster. 12.30 "The Parson of Panamint" (Charlie Ruggles stars). 5.05 Brookside Omnibus. 6.00 Right to Reply. 6.30 News Summary followed by The Faith Next Door. 7.30 Asha. 8.00 The 1986 Tony Awards. 10.00 Hill Street Blues. 1.00 Saturday Almost Live. †12.00 "Hysteria."

S4C WALES

1.15 pm Racing From Doncaster. 3.30 Equinox. †4.30 Saturday Screening: "The Pickwick Papers" starring James Hayter, Donald Wolfit, Hermione Gingold and Kathleen Harrison. 6.30 Oil. 7.30 Newyddion. 7.45 Talent-[illegible]. 8.15 Rosalind a Myrddin. 8.45 [illegible]. 9.30 Y Maes Chwarae. 10.15 Budgie. 11.15 The 1986 Tony Awards Show.

IBA Regions as London except at the following times:

ANGLIA

11.30 am Jack Holborn. 12.05 am Show Express. 12.35 At The End Of The Day.

BORDER

11.30 am Captain Scarlet and the Mysterons.

CENTRAL

11.30 am Which Witch is Which? 12.05 am The Alistair MacLean Thriller: "Puppet On A Chain" starring Sven-Bertil Taube, Barbara Parkins and Alexander Knox. 1.40 am Central Jobfinder.

CHANNEL

9.25 am Get Fresh. 1.30 Terrahawks. 11.58 Today's Weather. 12.05 am Neil Young—Solo Trans.

GRAMPIAN

11.30 am Fangface. 12.05 am Reflections.

GRANADA

11.30 am Terrahawks. 2.15 pm Benson. 12.05 am Crosby Stills and Nash. 1.05 Tales From The Darkside.

HTV

11.30 am The Jacksons. 11.58 HTV News. 10.00 pm Club Rugby (Bath v Leicester). 10.45 Movie Premiere "Psycho II" starring Anthony Perkins.

HTV Wales—As HTV West except—10.00 pm Movie Premiere: "Psycho II." 12.05-12.35 am Aliens: James Cameron—A Director And His Work.

SCOTTISH

11.30 am Captain Scarlet And The Mysterons. 12.05 am Late Call.

TSW

11.28 am Gus Honeybun's Magic Birthdays. 11.33 The Getalong Gang. 11.57 TSW News. 5.05 pm Newsport. 5.10 British Candid Camera. 5.40 The A-Team. 12.05 am Chorus Line from Stage To Screen. 12.35 Postscript.

TVS

11.30 am Terrahawks. 11.57 TVS Weather. 12.05 am Neil Young—Solo Trans. 1.05 Company.

TYNE TEES

11.30 am Terrahawks. 12.05 am Lancaster. 12.55 Poetry Of The People.

ULSTER

11.30 am Terrahawks. 11.58 Lunchtime News. 4.55 pm Sports Results. 5.03 Ulster News. 8.57 Ulster News. 12.30 am Arcade. 12.30 News At Bedtime.

YORKSHIRE

11.30 am Captain Scarlet And The Mysterons. 12.05 am Aliens: James Cameron—A Director and His Work. 12.35-6.00 am Music Box.

Stereo on VHF

BBC RADIO 2

5.05 am David Jacobs. 10.00 Sounds of the 60s. 11.00 Album Time. 1.00 pm The Good Human Guide. 1.30 Sport On 2, including Football; Golf (the Ninth Panasonic European Open); Cricket and at 5.00 Sports Report. 6.00 The Press Gang. 7.00 Three in a Row. 7.30 A Night at the Opera. 9.30 String Sound. 10.05 Martin Kelner. 12.05 am Night Owls with Dave Gelly. 1.00 Jean Challis presents Nightride. 3.00-4.00 A Little Night Music.

BBC RADIO 3

7.00 am News. 7.05 Aubade. 9.00 News. 9.05 Record Review. 10.15 Stereo Release. 11.15 Edinburgh International Festival 1986. (12.00 Interval Reading.) 12.05 pm Strauss (Alpine Symphony). 1.00 News. 1.05 Neill Sanders Horn Trio. 2.00 Three Baroque Concertos. 2.40 "Otello," Verdi's opera in Toscanini's 1947 recording, with Ramon Vinay in the title role (sung in Italian). 5.00 Jazz Record Requests. 5.45 Critics' Forum. 6.35 Faure chamber music. 7.30 Proms 86: The Last Night: Raymond Leppard directs, part 1: Puccini (Preludio sinfonico, Messa di gloria). Simultaneous broadcast with BBC 2. 8.25 In The Rainy Season (Short Story). 8.55 Proms, part 2: Walton, Bax, Britten, Elgar, Parry arch Elgar, Henry Wood. Simultaneous broadcast with BBC 1. 10.00 An Observer Observed. 10.35 Schoenberg: String Quartet No. 1. 11.25 The Jazz Pianist. Howard Riley recorded at the Pendley Manor Jazz Festival. 11.57-12.00 News.

BBC RADIO 4

7.00 am News. 7.10 Today's Papers. 7.15 On Your Farm. 7.45 In Perspective. 7.50 Down To Earth. 7.55 Weather; Travel. 8.00 News. 8.10 Today's Papers. 8.15 Sport On 4. 8.57 Weather; Travel. 9.00 News. 9.05 I'm Sorry I Haven't a Clue (S). 9.35 [illegible]. 9.50 News Stand. 10.05 Talking Politics. 10.30 Loose Ends. 11.30 From Our Own Correspondent. 12.00 News: A Small Country Living. 12.27 pm After Henry. 12.55 Weather. 1.00 News. 1.10 Any Questions? 1.55 Shipping Forecast. 2.00 News: The Afternoon Play (S).

3.15 The Mystic Rose (S). 3.30 News: Travel: International Assignment. 4.00 The Saturday Feature: An Invitation to Dancing. 4.45 I Should Say So. 5.00 The Living World. 5.25 Delve Special. 5.50 Shipping Forecast. 5.55 Weather; Travel. 6.00 News; Sports Round-up. 6.25 In The Psychiatrist's Chair. 7.00 Saturday-Night Theatre (S). 8.30 Baker's Dozen (S). 9.30 Thriller! 9.58 Weather. 10.00 News: 10.15 *Evening Service (S).* 10.30 The Good Book. 11.00 Science Now—In Passing. 11.30 The Million Pound Radio Show (S). 12.00-12.15 am News.

SUNDAY

† Indicates programme in black and white

BBC 1

8.55 am Play School. 9.15 Articles of Faith. 9.30 This Is The Day. 10.00 Asian Magazine. 10.30 Aristocrats. 11.20 Cameo. 11.30 Three in The Wild. 12.00 Cartoon. 12.10 pm See Hear! 12.35 Farming. 12.58 Weather News for *Farmers.* 1.00 *News Headlines.* 1.05 Bonanza. 1.50 Cartoon.

2.00 Eastenders. 3.00 Film: "The Towering Inferno," starring Steve McQueen, Paul Newman, William Holden, Faye Dunaway, Fred Astaire and Jennifer Jones. 5.40 The Pink Panther Show. 6.00 Pet Watch. 6.30 News. 6.40 Songs of Praise from Lytham St Annes. 7.15 Ever Decreasing Circles. 7.45 Howards' Way. 8.35 Only Fools And Horses. . . . 9.05 The Monocled Mutineer. 10.25 News. 10.40 Heart of *the Matter. 11.20 Discovering Animals.* 11.45 The Sky at Night.

BBC 2

1.55 pm *Sunday Grandstand.* 6.50 Foley Square. 7.15 Birds For All Seasons. 8.10 Revolution in the Class*room? 8.40 Speaking* to the City—Sophocles Then and Now. 9.05 The White Tribe of Africa. 9.55 Jack High. 10.25 *Film: "Tender Mercies" starring* Robert Duvall. 11.55-12.10 am Blind Date.

LONDON

6.55 am TV-am Breakfast Programme. 9.25 Wake Up London. 9.35 Roger *Ramjet.* 9.45 *Porky Pig.* 10.00 Morning Worship from Newlyn Harbour in Cornwall. 11.00 Link. 11.30 Working *For A Better Life.* 12.00 *Weekend* World, presented by Matthew Parris. 1.00 pm Police Five. 1.15 European Folk Tales. 1.30 The Smurfs. 2.00 *One* God . . . Three Gods. 2.30 LWT News Headlines followed by Night Bombers. 3.30 Hart to Hart.

4.30 The Campbells. 5.00 Bullseye. 5.30 Sunday Sunday. 6.30 News. 6.40 Highway. 7.15 Child's Play. 7.45 Murder, Mystery, Suspense. 9.30 News. 9.45 Spitting Image. 10.30 Dirk Bogarde—A Conversation with Russell Harty. 11.35 *LWT News Headlines* followed by American Documentary. 12.30 am Night Thoughts.

CHANNEL 4

1.05 pm Irish Angle. 1.30 Ever Thought of Sport? 2.00 Everybody Here. 2.30 "London Town." (Sid Field stars with Petula Clark, Greta Gynt and Kay Kendall.) †4.20 "Partie de Campagne." 5.05 News Summary followed by Moneyspinner Special. 6.00 American Football. 7.15 Chasing Rainbows—A Nation and Its Music. 8.15 Pillar of Fire. 9.15 Picasso. †10.40 "The Lost Weekend" stars Ray *Milland with Jane Wyman.*

S4C WALES

1.40 pm Changing Times. 2.05 The *Great Plant Collections.* 2.35 Feature Film: "Look For The Silver Lining," starring June Haver, with Ray Bolger, Charles Ruggles and Gordon Macrae. 4.30 We Also Need Fred and Bill. 5.15 The Mind of David Berglas. 6.00 American Football. 7.20 Newyddion.

7.30 Cais Am Gan. 8.00 *Pwy Sy'n* Perthyn? 8.30 Dechrau Canu, Dechrau Canmol. 9.00 Cledwyn. 10.00 Byd Cerdd. †10.55 *Feature Film:* "The Little Foxes," starring Bette Davis

IBA Regions as London except at *the following times:*

ANGLIA

9.30 am The Dancing Dolls of Monte Carlo. 1.00 pm The Beverly Hillbillies. 1.25 Weather Trends. 1.30 Farming Diary. 2.30 Film: "Battle of Britain," starring Michael Caine, Kenneth More, Laurence Olivier and Susannah York. 5.00 The Campbells. 5.30 Candid *Camera. 6.00 Bullseye. 11.30 The New* Avengers. 12.30 am From Cradle To Glory.

BORDER

9.25 am Gardening Time. 9.55 Border Diary. 1.00 pm Farming Outlook. 1.30 Whiskers and Wet Noses. 2.30 Film: "Battle of Britain," starring Michael Caine and Kenneth More. 5.00 The Campbells. 5.30 Look Who's Talking 6.00 Bullseye. 11.30 Scottish National Party Conference '86.

CENTRAL

9.25 am Adventures of the Blue Knight. 9.35 The Incredible Hulk. 1.00 pm Gardening Time. 1.30 Here and Now. 2.30 "Battle of Britain," starring Michael Caine, Kenneth More, Laurence Olivier and Susannah York. 5.00 Mind Your Language. 5.30 The Campbells. 6.00 Bullseye. 11.30 Riptide. 12.30 am Jobfinder.

CHANNEL

9.25 am Today's Weather. 9.26 Starting Point. 9.30 Les Francais Chez-Vous. 1.00 pm Survival. 1.30 Farm Focus. 2.30 The Sunday Matinee: "The Battle of Britain." 5.00 Chips. 5.55 Bullseye. 6.25 Channel News Headlines. 11.30 Return of the Saint.

Pablo Picasso: C4, 9.15 pm

GRAMPIAN

9.25 am Max The 2,000-year-old Mouse. 9.35 The Third Testament. 1.00 pm Farming Outlook. 1.30 Sporting Allstars. 2.30 Survival Special. 3.30 Scottish Piano Competition. 5.30 Scotsport. 11.30 Scottish National Party Conference '86 from Dunoon. 12.30 am Reflections.

GRANADA

9.25 am Max The 2000-year-old Mouse. 9.30 *Yvonne Hudson—Sculptor.* 11.00 Working For A Better Life. 11.25 Aap Kaa Hak. 11.30 This Is Your Right. *1.00 pm UFO. 2.30 Sunday* Matinee: "Battle of Britain." starring Michael Caine, Kenneth More, Laurence *Olivier, Michael Redgrave and Susannah* York. 5.00 The Campbells. 5.30 Candid Camera. 6.00 Bullseye. 11.30 The Late Film: "Find The Lady," starring Donald Houston.

HTV

9.25 am Max The 2000-year-old Mouse. 9.35 Robostory. 1.00pm Gardening Time. 1.30 Farming Wales. 2.30 The Sunday Matinee: "The Battle of Britain." 5.00 The Campbells. 5.30 Who's The Boss? 6.00 Bullseye. 6.35 HTV News. 11.30 Short Story Theatre.

SCOTTISH

9.25 am Best Friends. 9.30 Farming Outlook. 10.00 Sunday Documentary: "Blind Faith." 10.30 One God, Three Gods . . . 1.00 pm The Glen Michael Cavalcade. 2.00 Conference of European Churches at Stirling. 2.30 Chips. 3.25 Cartoon. 3.30 Scottish Piano Com*petition. 5.30 Scotsport. 11.30 Scottish* National Party Conference 1986. 12.30 am Late Call.

TSW

9.25 am Link followed by South West Link. 11.00 *Working for a Better* Life. 11.25 Look and See. 11.30 The South West Week. 1.00 pm The Protectors. 1.30 Farming News. 2.30 The Sunday Matinee: "The Battle *of* Britain," starring Michael Caine, Kenneth More, Laurence Olivier and Susannah York. 4.57 Gus Honeybun's Magic Birthdays. 5.00 Gardens for All. 5.30 The Campbells. 6.00 Bullseye. 11.30 *The Duck Factory.* 12.00 That's Hollywood.

TVS

9.25 am Cartoon. 9.35 The Smurfs. 1.00 pm Survival. 1.30 Farm Focus. 2.30 The Sunday Matinee: "The Battle of Britain," starring Michael Caine, Kenneth More, Laurence Olivier and Susannah York. 5.00 Chips. 5.55 Bullseye. 6.25 TVS News. 11.30 Return of the Saint. 12.30 am Company.

TYNE TEES

9.25 am Morning Glory. 9.35 Jack Holborn. 9.55 Sunday Lookaround. 1.00 pm Farming Outlook. 1.30 Northern Life—Sunday Edition. 2.30 "*The Battle* of Britain," starring Michael Caine, Kenneth More, Laurence Olivier and Susannah York. 5.00 The Campbells. 5.30 *Max Jaffa* Farewell to Scarborough. 6.00 Bullseye. 11.30 Fifty Fifty. 12.30 am Epilogue.

ULSTER

9.25 am Cartoon Time. 9.30 The Beverly Hillbillies. 12.58 pm Lunchtime News. 1.00 Gardening Time. 1.30 Bygones. 1.58 Farming Weather. 2.30 Sunday Matinee: "Battle of Britain," *starring Michael Caine,* Kenneth More, Laurence Olivier and Susannah York. 5.00 The Campbells. 5.30 Lakeland Games. 6.00 Bullseye. 6.38 *Ulster News.* 9.42 Ulster News and Weather. 11.30 Rock Special—Angelo Branduardi. 12.15 am Sports Results. 12.20 *News at* Bedtime.

YORKSHIRE

9.25 am Link. 11.00 Working for a Better Life. 11.30 Farming Diary. 1.00 pm Nimrod . . . The Mighty Hunter. 2.30 "*Battle of Britain,*" starring Michael Caine, Laurence Olivier and Trevor Howard. 5.00 Carlton Your Doorman. 5.30 The *Campbells.* 6.00 Bullseye. 11.30 The Stones in the Park. 12.30 am Five Minutes. 12.35-6.00 Music Box.

Stereo on VHF

BBC RADIO 2

7.30 am *Roger Royle says Good* Morning Sunday. 9.05 Melodies For You. 11.00 Desmond Carrington. 2.00 pm Stuart Hall's Sunday *Sport* (medium wave only). 2.00 Benny Green. 3.00 Nights at the Paris Olympia. 4.00 Vilem Tausky conducts the Langham Orchestra. 4.30 Sing Something Simple. 6.30 Charlie Chester with your Sunday Soapbox. 7.35 Grand *Hotel.* 8.30 Sunday Half Hour. 9.00 Your Hundred Best Tunes. 10.05 Songs from the Shows. 10.30 The Gospel Truth. 11.00 *Sounds of Jazz* with Peter Clayton. 1.00 am Jean Challis presents Nightride. 3.00-4.00 A Little Night Music.

BBC RADIO 3

7.00 am News. 7.05 Vivaldi's Venice. 8.00 Edwin *Fischer.* *9.00 News.* 9.05 Your Concert Choice. 10.30 Music Weekly. 11.15 Sarah Walker and Roger Vignoles *song recital.* (11.55 *Interval* Reading.) 12.35 pm Edinburgh International Festival 1986. Berio's "Sinfonia" and Mahler's Symphony *No* 2 (Resurrection) conducted by Simon Rattle in a recorded concert. (1.15-1.20 Interval Reading.) 3.00 Bartok *String Quartet.* Beethoven's Op 18 No 3, Bartok's No 5. (3.55 Interval Reading.) 4.00 Tchaikovsky's Op 11. 4.30 Wind Quintet *with Voice.* 5.30 The Harlequin Years. 6.15 Havergal Brian's 8th Symphony and Ives' "Three Pieces in New England." 7.00 Blackbird. 7.15 Othmar Schoeck. Archive recordings and gramophone records featuring the composer as accompanist (mono). 7.45 Beethoven Sonatas (Recital by Peter Serkin), part 1: Op 90 and 101. 8.20 The Owls of Babylon. 8.40 Beethoven Sonatas, part 2: Op 106 (Hammerklavier). 9.30 The Hands of Cheryl Boyd (Story by Maurice Leitch). 9.50 *BBC Philharmonic* Orchestra with Jan de Gaetani (mezzo). Three pieces by Jacob Druckman: Aureole, Lamia and Prism. 11.00 *Benny Goodman: The* Classical Recordings. Mono *recordings* featuring the clarinettist in Gershwin, Beethoven and *Milhaud.* *11.57-12.00* News.

BBC RADIO 4

8.00 am News. 8.10 Sunday Papers. 8.15 Sunday. 8.50 *Edward Fox talks* for the Week's Good Cause, about the Architectural Heritage Fund. 8.55 Weather; Travel. 9.00 *News.* 9.10 Sunday Papers. 9.15 Letter From America by Alistair Cooke. 9.30 Morning Service. 10.15 The *Archers* (Omnibus edition). 11.15 Pick of the Week (S). 12.15 pm Desert Island Discs (S). 12.55 Weather. 1.00 The World This Weekend. 1.55 Shipping Forecast. 2.00 News: Gardeners' Question Time. 2.30 Globe Theatre (S). 4.00 News: Origins. *4.30 The Natural History Programme.*

5.00 News; Travel. 5.05 Down Your Way. Brian Johnston visits Market *Harborough, Leicestershire.* 5.50 Shipping Forecast. 5.55 Weather. 6.00 News. 6.15 Weekend Woman's Hour. 7.00 *Nostromo (S).* *8.00 A Good Read.* 8.30 The Maestro (S). 9.00 News: Rambles in Ireland. 9.55 Weather; Travel. 9.30 Prison *Poetry.* 10.00 News. 10.15 The Sunday Feature: Walking Through Fire. 11.00 *Seeds of Faith* (S). 11.15 Music From The People (S). [illegible] Eye Witness. 12.00-12.15 [illegible]